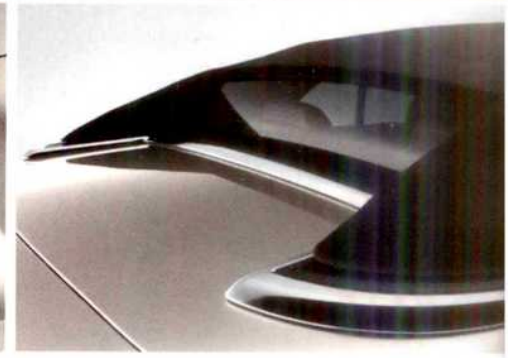

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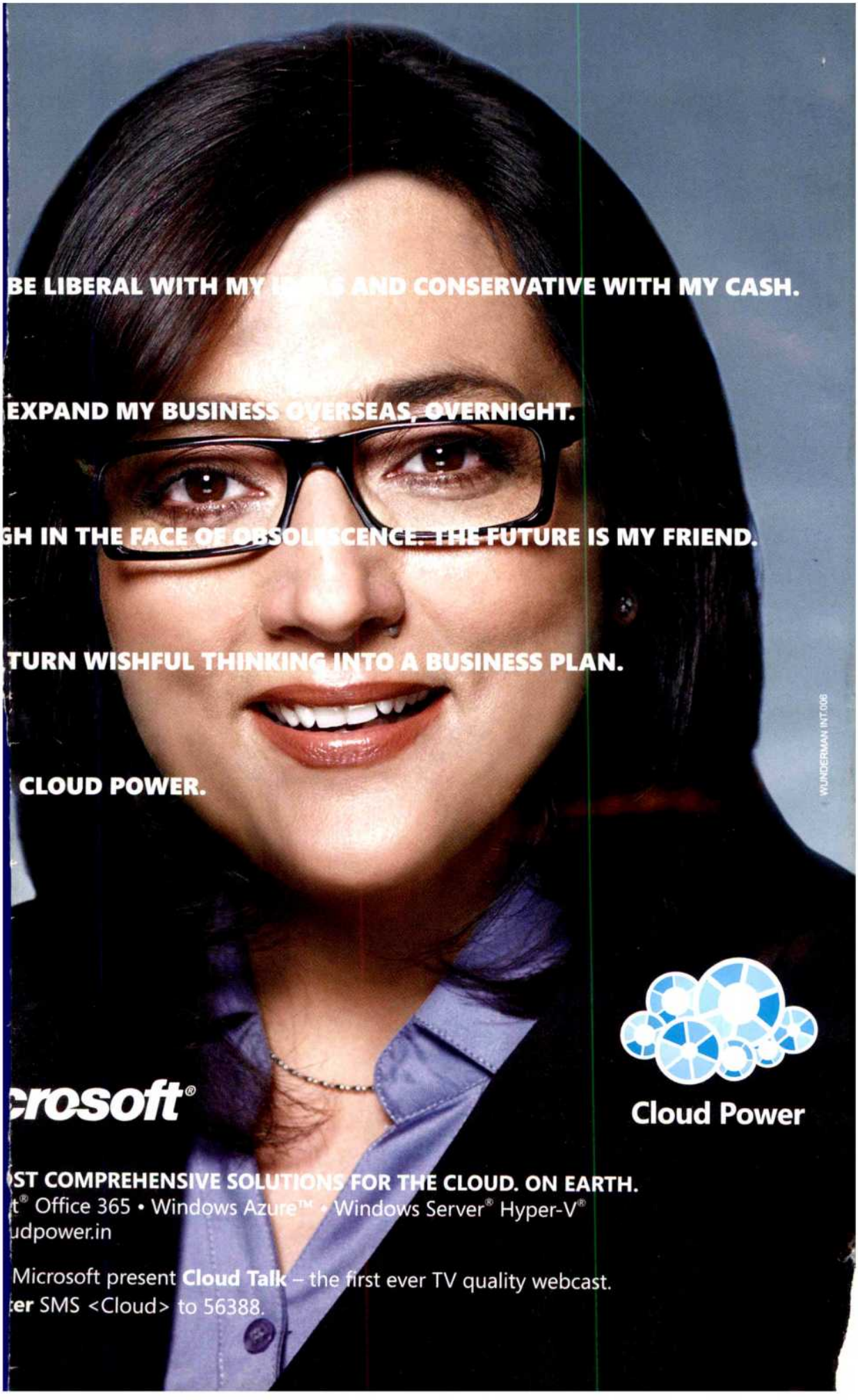
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SPECIAL: BT Business Confidence Survey 72

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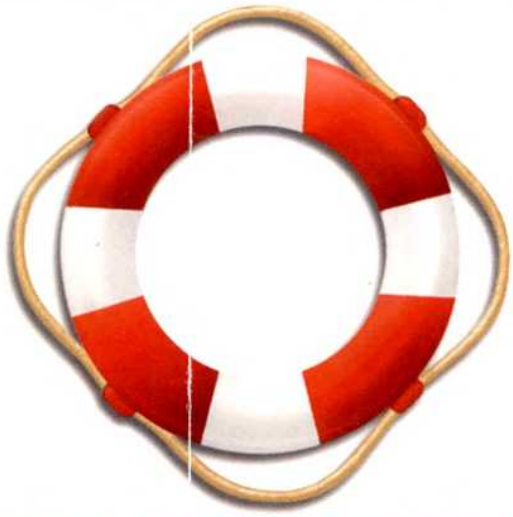

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Indian companies prepare for the unknown

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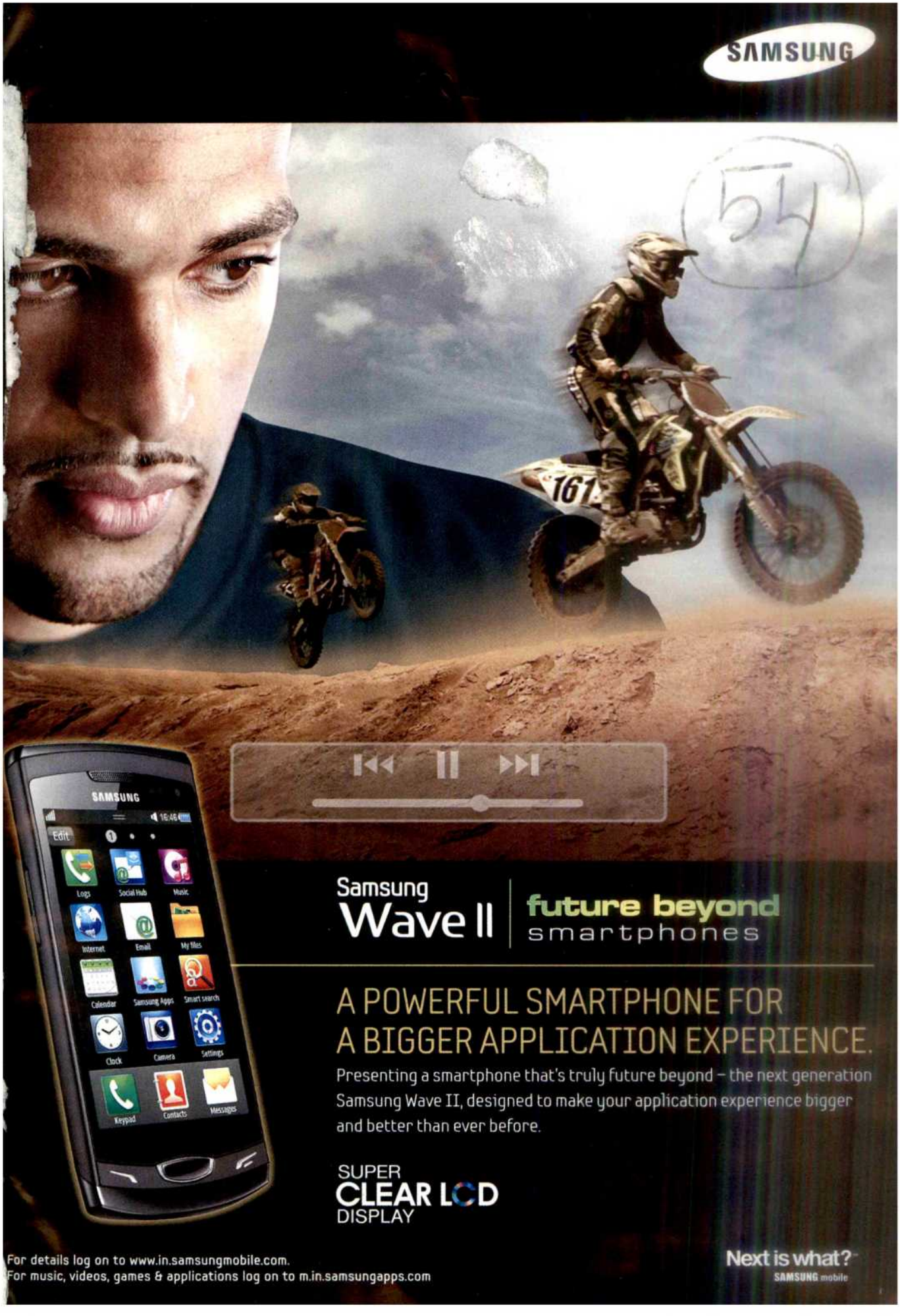
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Next is what?
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From the Editor

P32981

When I lived in Tokyo in the early 1990s, children at my daughter's school could clamber into an "earthquake truck" for a foretaste of what The Big One might feel like. You held on while furniture and light fittings swayed, rattled and bounced around a simulated home inside the truck at the flick of a switch. There was an element of fun, and you didn't feel half as terrified as when you teetered atop the Big Thunder Mountain at Tokyo Disneyland, waiting for the headlong plunge down the rollercoaster. Last month, nearly 70,000 visitors at the park experienced the ripple effects of the huge earthquake that struck north-eastern Japan. Sand compaction piles had strengthened the soil under the theme park. The town of Urayasu around it was not so lucky. Built on land reclaimed from Tokyo Bay, it literally began to sink into liquefying mud.

So how well can you prepare for the mother of all disasters? I spent hours helping fine-tune an "earthquake manual" for my Tokyo workplace. Colleagues came over to a parking lot behind my house to practise using a satellite phone to file the news. Calling trees were set up. My home had an "emergency rucksack" placed near the front door, with food, drink, medicine, fuel tablets, gloves to wear if you had to claw your way out of rubble – even a whistle that would be heard by rescue dogs.

None of this could have prepared the Japanese for what struck them on March 11. Luckily, the earthquake and tsunami did not hit Tokyo. That would have dealt a sledgehammer blow to the global economy. At *Business Today* we decided to investigate whether Indian businesses are prepared for disaster. Senior Editor Suman Layak and his cohort found that larger companies tend to have well oiled procedures to cope with people safety, business continuity and data security. I can wager you will find our cover story starting on page 52 a gripping read. You will learn about best practices, the specialists you can call when the proverbial hits the fan, and about India's ambitious strategic oil reserve plan. I can tell you this: we know *nearly everything* that we ought to be prepared for. Notice I'm still hedging my bets after March 11, 2011 and September 11, 2001.

Here you've got to remember what Donald Rumsfeld said (and Suman alludes to this): "There are known knowns... There are known unknowns... But there are also unknown unknowns. There are things we don't know we don't know."

Don't worry too much, though. The inaugural quarterly *BT* Business Confidence Survey, which we are confident will soon become a bellwether index to gauge Corporate India's mood, reveals a high level of optimism, and a readiness to ride the big waves of inflation.

Two sparkling interviews, with trade-economics guru Professor Jagdish Bhagwati and WPP's Martin Sorrell; a landmark special report on why the private sector is piling into education: a South Indian road trip redolent with the highs and lows of the Golden Quadrilateral; and the intriguing tale of how South Korea's Posco has not been putting all its eggs in its Orissa basket — if you don't mind my saying so myself, this issue is unputdownable.

Chaitanya Kalbag

www.businesstoday.in/editor

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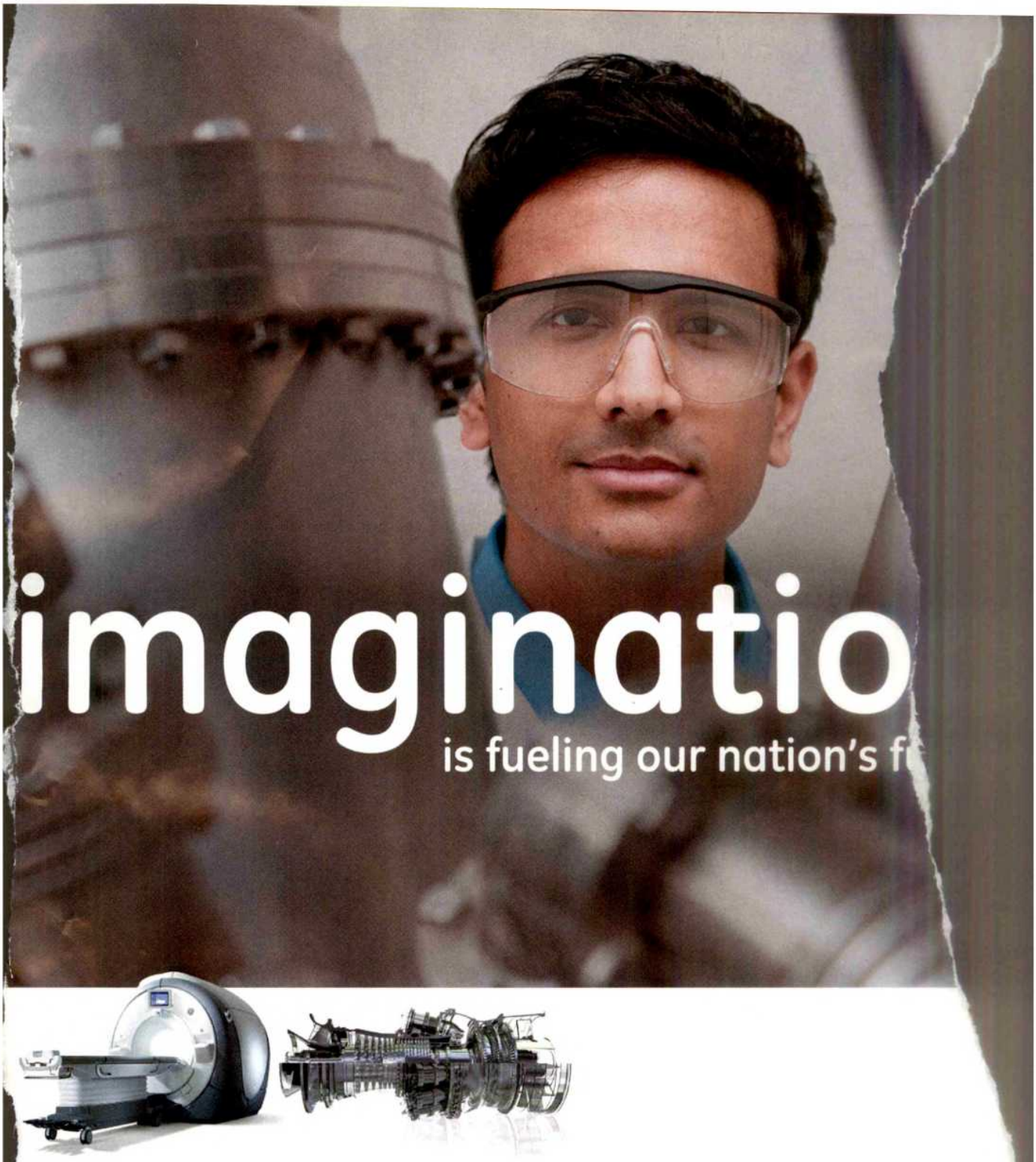

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Continuity Challenge

oft-bandied number holds caution
lia's *New Business Families* (Cover
April 17): only four per cent of
usinesses survive beyond the
neration. A break in family
seems almost inevitable as it
oner or later an individual
nd on his feet. Individual
d ego break a family
he worst competition comes
gs if both are in the same
Monetary considerations,
uin relations. The best
among siblings come about
ey have separate and inde-
t businesses, where there is no
ition in the businesses and
is equally divided by parents.

h Kapasi, *New Delhi*

of Giving

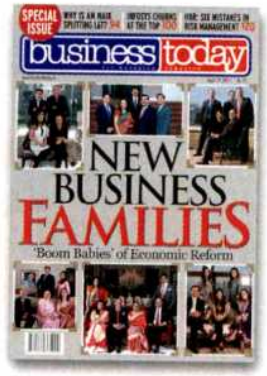
lexander, Director in India for
and Melinda Gates Foundation,
ight on a worthy cause for
thropy (*Say Yes to Strategic*
thropy, Focus, April 3). Universal
care is an achievable objective.
known billionaires of the country
ld join hands with the Gates
Warren Buffett to channelise
urces for the needy.

R. Gadicherla, *Bangalore*

Green Model

read with immense interest the ITC
ase study on tree farming (*Tree Farming Yields Bumper Harvest*, *April 3*). I think this has been a unique model which has not only benefited the company but also the region in which the paper manufacturing plant is located. I must say it is a commendable effort by ITC and more businesses can adopt tree farming or rather afforestation to help farmers. I hope ITC can expand this programme in the coming years.

Manoj Singh, *Mumbai*

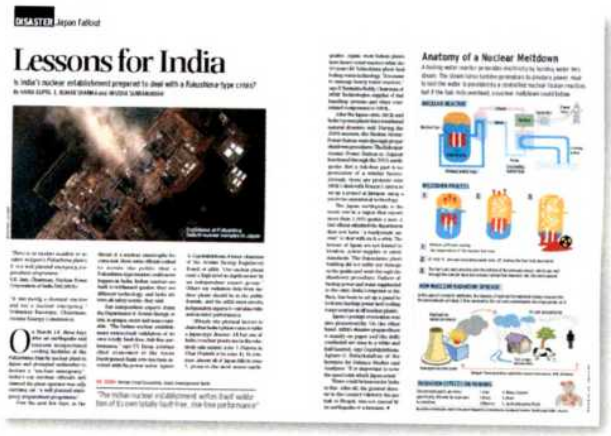


The best relations among siblings in a family business come about only if they have separate and independent businesses, where there is no competition in the businesses and wealth is equally divided by parents.

Nuclear Reaction

God forbid something like Fukushima happens at our nuclear plants (*Lessons for India, April 17*). We would be nowhere in handling it compared to Japan's disaster management. At a time when India is pushing for a bigger pie in nuclear energy, it becomes all the more important to have a proper disaster management in place rather than wait for a disaster to happen.

Bal Govind, *Noida*


DISASTER Japan Fallout

Lessons for India

Anatomy of a Nuclear Meltdown

www.businesstoday.in@coverstory: *India's New Business Families* (April 17) on the entrepreneurs who rode the liberalisation wave

www.businesstoday.in@coverstory: *Making 500 Million Employable* (April 3) joins the dots on India's skilling revolution.

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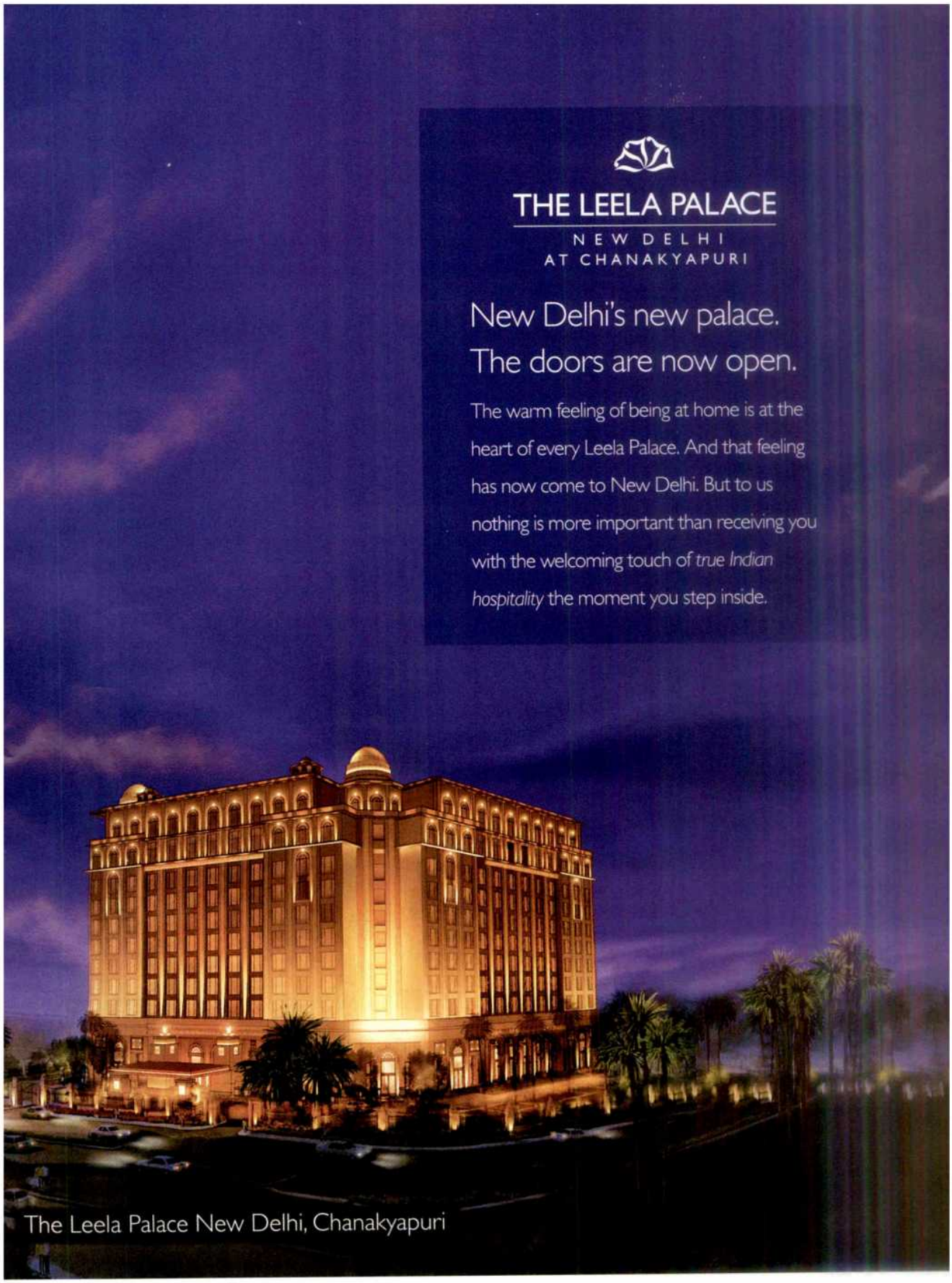

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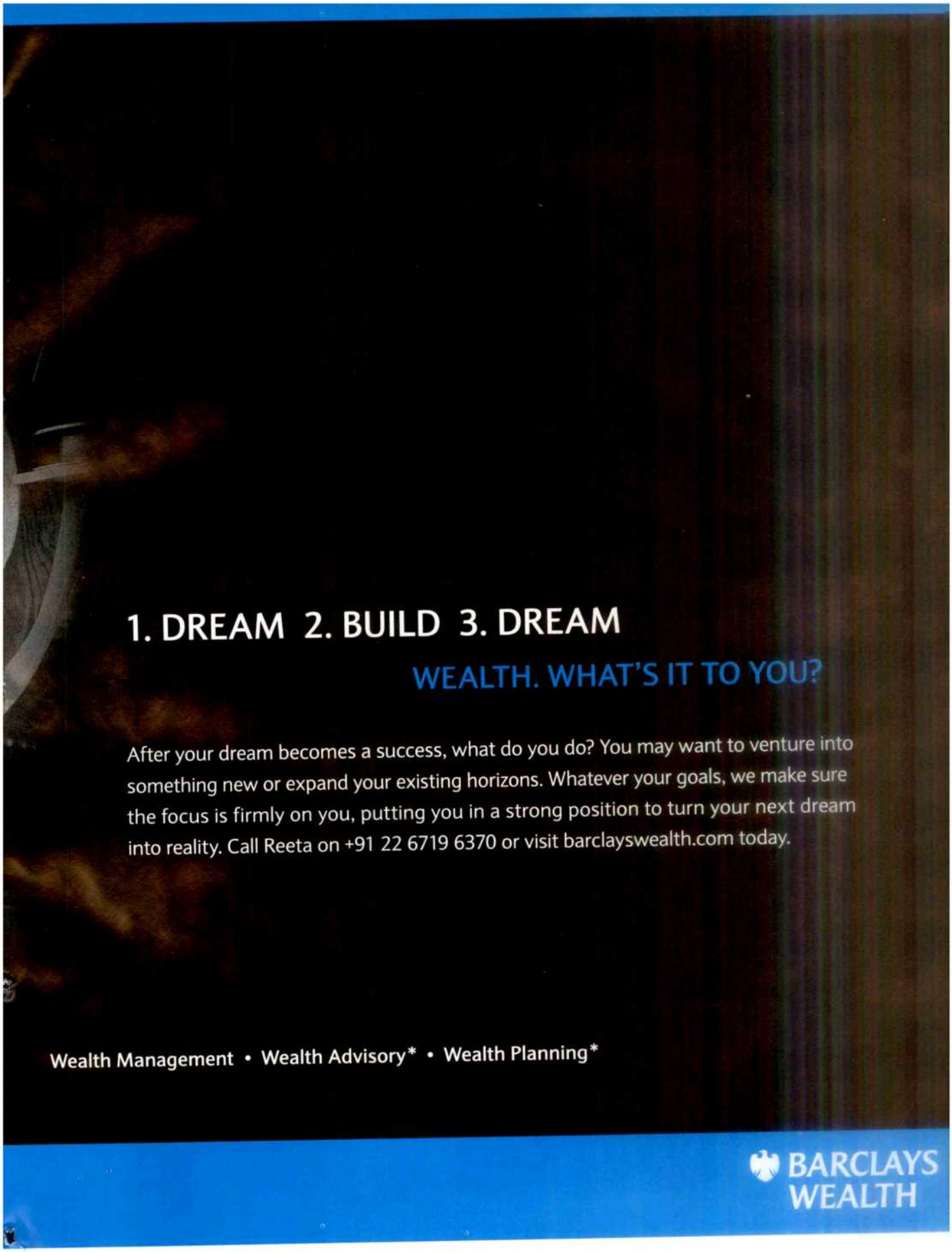

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businesstoday.in/GoaFest

World Cup Woes

The World Cup is over, but cricket fever runs at an all-time high. Makers of sports equipment say zooming demand could exhaust supplies.
businesstoday.in/worldcupequipment

Bhopal: Fresh Worries

The Supreme Court's decision to consider higher compensation for Bhopal gas tragedy victims has some foreign investors and industry bodies worried.
businesstoday.in/afterbhopal

Blogs

N. Madhavan
On whether the state can support the outsized poll promises by both parties in TN Assembly elections.
» businesstoday.in/madhavan

E. Kumar Sharma
On life after Rajat Gupta at the Indian School of Business.
» businesstoday.in/kumar

The New Titans

A new breed of business families has emerged in the years following the economic reforms. *BT* profiles today's titans of industry, including the GVK Group's G.V.K. Reddy, YES Bank's Rana Kapoor and the Adanis, and talks to them about the role their families play.
businesstoday.in/biz-fam

Fading Out: Infosys Ver 1.0

The software giant's second-tier leaders are clamouring for a newer, more aggressive business plan as iconic co-founder N.R. Narayana Murthy gets ready to leave the company. The coming months will challenge the company like never before.
businesstoday.in/infosys

Letter from the Editor »
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Find out how to maintain your current lifestyle after retirement.

› **EMI Calculator**
Know how much equated monthly installment you will pay on your loan.

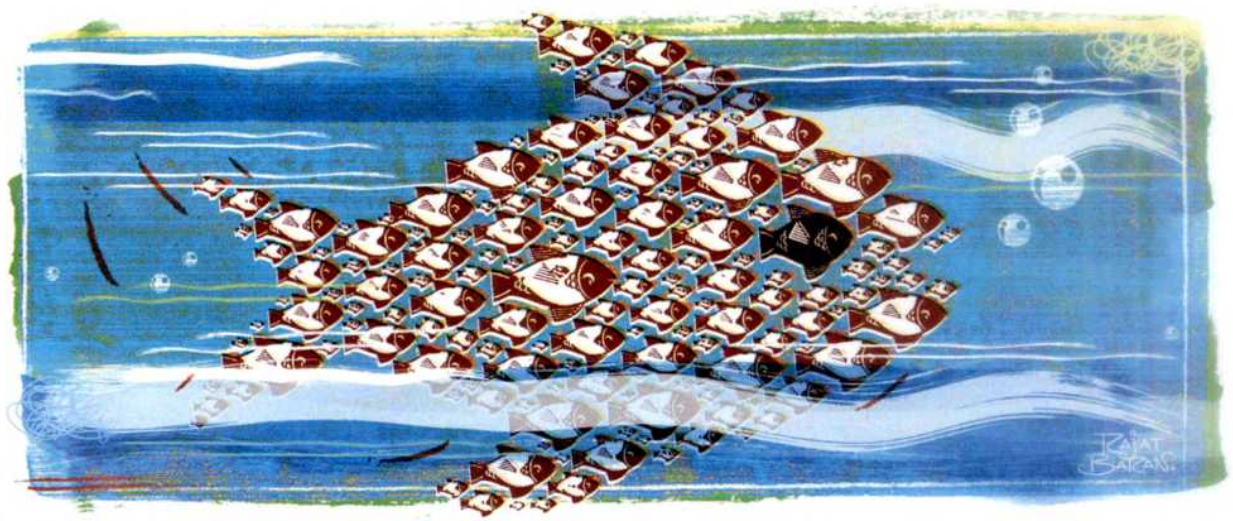
› **Business Tips**
Hot tips to keep you ahead of rivals in business.

FOCUS

15 Toothless New Watchdog
22 People Power
26 Big Screen Wonder
27 Risking Life for a Taste

No Need for New Banks

Consolidation will deliver the goal of financial inclusion rather than new bank licences, says Rana Kapoor



The Indian banking sector is now a vibrant mix of nationalised banks, old and new private sector banks and foreign banks, supported by non-banking finance companies, or NBFCs, and microfinance institutions, or MFIs. They provide competitive and comprehensive services to the corporate and retail consumer segments. Some life-cycle challenges do remain, primarily in the area of providing sustainable credit and other services to marginal players.

The Reserve Bank of India's recent discussion paper on new bank licences explores the pros and cons of allowing industry houses, NBFCs and MFIs to embark on regular banking operations.

In my opinion, the potential risks of such a step — as identified in the paper — and the ramifications if things go wrong, far outweigh the perceived social benefits. Past experiences, in India and elsewhere, provide little comfort. The Japanese experience with *keirestu*, the Korean experience with *chaebols*, and the Indian experience prior to nationalisation are reminders of the pitfalls of commercial interests promoting banks. The recent concerns emanating from corporate

29%

Growth of bank branches between 2005 and 2010

governance issues, especially in the telecom and real estate sectors, exacerbate this discomfort.

Allowing corporate houses to enter the banking sector sets the stage for a conflict of interest. Banks must be 'neutral financial intermediaries', not biased in favour of vested businesses. The existence of diversified businesses and the need to track flow of funds will pose further challenges in regulation and supervision, thereby creating complexities in the rules and regulations, and also increasing the vulnerability of banks to real economy shocks.

In case any corporate entity presents a really compelling case, the regulator could, for example, consider a 'limited validity' licence to allow the entity to take over and restructure a fledgling regional rural bank, or RRB, thereby evaluating its competence while limiting the systemic risks of a potential corporate-led bank fallout. As we have seen during the recent financial crisis, the biggest casualty when a bank fails is faith in the system and the ensuing collateral damage.

I believe that Indian economy is adequately banked, but underbranched and underserviced. A closer scrutiny and evaluation of the operating parameters of the existing players in the banking sector brings forth some meaningful observations. At present, India has 27 public sector banks, seven new private sector banks, 15 old private sector banks and 31 foreign banks, in addition to RRBs, local area banks, or LABs, and cooperative banks.

One of the segments within the existing framework that remains significantly underutilised is the old private sector banking space. Despite healthy capitalisation ratios, these banks have remained underperformers in many ways, including underleveraging their brand identity. For instance, the advances per branch of the old private sector banks (₹29.8 crore) are significantly lower than the industry aggregate (₹48.6 crore) and a third of the new private sector banks (₹91.8 crore). The deposit per branch ratio, too, exhibits a similar pattern.

The old private sector banks have not pursued national level branch expansion which could have enabled them to provide banking services to a wider population base. They registered the lowest branch growth amongst banking groups at 10 per cent against 29 per cent for the industry between 2005 and 2010.

In my view, there lies considerable potential in these old private sector banks, if their value can be unlocked. Further consolidation is a better way of achieving the broader goal of financial inclusion. India's largest banks today are less than 50 per cent of a comparable bank's size in a peer economy. A consolidated banking system, rather than a host of new smaller banks, provides the ability to cater to the end-to-end banking requirements of the economy.

Given the economic growth potential of the Indian economy over the next few decades, granting of new bank licences may eventually be warranted. The stand-alone NBFCs, including select MFIs, with proven track records and focused on catering to the financially-excluded, are best equipped to transform themselves into commercial banks.

The Indian banking sector's need of the hour is to further grow our established and proven banks, supplemented with more branches and higher focus on efficiency.

The author is founder and CEO of YES Bank

KAPOOR'S TAKE

- The potential risks of granting new bank licences far outweigh the perceived social benefits
- Allowing corporate houses to enter the banking sector sets the stage for a conflict of interest
- The Indian economy is adequately banked, though underbranched and underserviced
- One segment that remains underutilised is the old private sector banking space
- There is considerable potential in these old private sector banks if their true value can be unlocked

WORDSMITH
(NEW WORDS IN BUSINESS)

Bloatation

Bloat-ai-shon

What it means: Filling non-essential positions instead of recruiting core staff. It usually occurs just before bankruptcy.

Origin: 'Bloatation' originally meant a "bloated quality or state". In business, the word gained popularity after the dot-com bubble burst in 2000/01.

Usage: The bloatation in the company led to its downfall.

Toothless New Watchdog?

Anna Hazare's fast has brought back the spotlight on the shortcomings of the Lokpal Bill. By MANU KAUSHIK

What Is Proposed

The Lokpal Bill 2010 will constitute a Lokpal, or an ombudsman's office, which will probe allegations of corruption against Members of Parliament, or MPs, including ministers and, to a limited extent, even the Prime Minister. The Lokpal will have a retired Supreme Court judge as Chairperson, and two other members, who will be former high court judges.

What Will Change

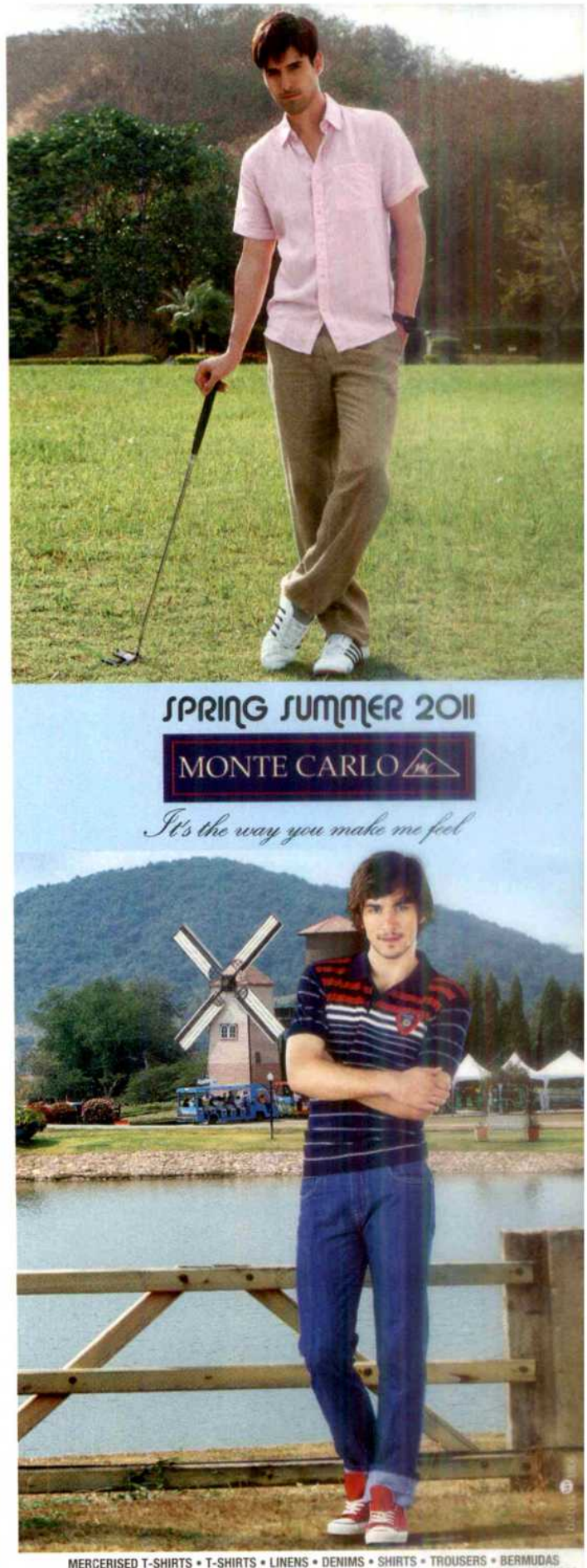
Though the idea of a Lokpal has been mooted since the 1960s, it has never been instituted. Ombudsmen called Lokayuktas have been appointed in 17 states, but as yet there is no independent body to probe corruption charges against politicians at the Centre. Under the proposed Bill, the Lokpal will have the powers of a civil court and the right to summon any individual, including the Prime Minister.

Inherent Limitations

First, the Lokpal will not receive complaints directly. All complaints will have to be routed through Speaker of the Lok Sabha or Chairperson of the Rajya Sabha. Second, the Lokpal will neither have its own investigating force, nor the power to prosecute. Third, the President, Vice President and Speaker will fall outside its ambit. Nor can it question the Prime Minister's actions in relation to defence, security and foreign affairs.

Activists Protest

At the time of going to press, noted social activist Anna Hazare, 72, was on an indefinite fast to protest the Bill, insisting it lacked teeth. Other leading activists, like Arvind Kejriwal, have also slammed the Bill.



"Our Focus Is to Bring Videoconferencing to the Mobile"

MONEY SHARMA

ANDREW M. MILLER, *President and CEO of Polycom, a leading player in communications solutions, visited Delhi for the first time recently to inaugurate a demo lab in Gurgaon. He spoke to* BT*'s* **SUNNY SEN** *on how communications is changing worldwide. Edited excerpts:*

Mobility and Cloud are the two innovation engines. Traditional videoconferencing is now office culture. Our focus is to bring this experience to the mobile. We are putting this software in the Samsung Galaxy (tablet). You can dial back into the office using the tablet. We see this as a big opportunity with Nokia, Motorola and Apple.

Forty per cent of this (video) technology will be hybrid. Small and medium enterprises (SMEs) will like to get delivered on a software-as-a-service-based platform. This will be easier to deploy. Our challenge is how to deliver this level of experience to SMEs. In India, we are working on an affordable price point.

Polycom is open standard and Cisco is closed. Our ability to inter-operate with the likes of Microsoft is totally different from the way it is done by Cisco. In the past one-and-half years, Polycom has not been the market leader, though we now have 41 per cent global market share and almost 50 per cent in India.

India is the new R&D/innovation centre. It is one of the fastest-growing markets. India has been a bandwidth-starved country. 3G and 4G will accelerate growth and encourage spread of data use. Video will be one of the applications.

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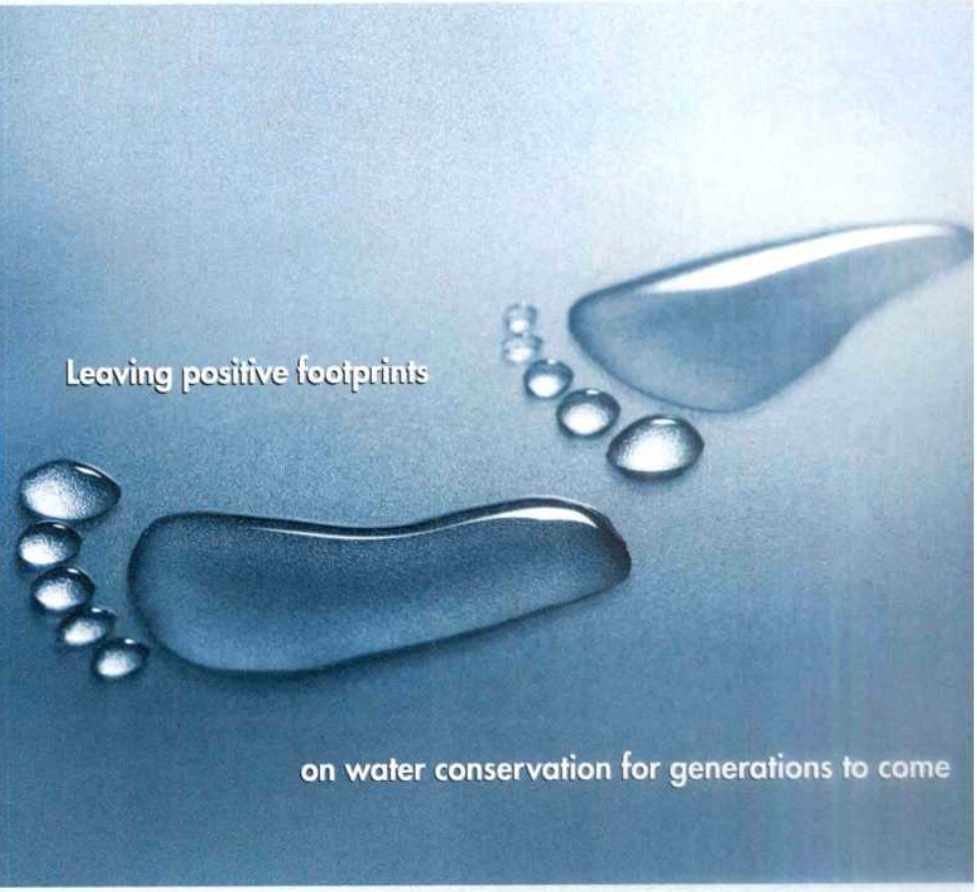
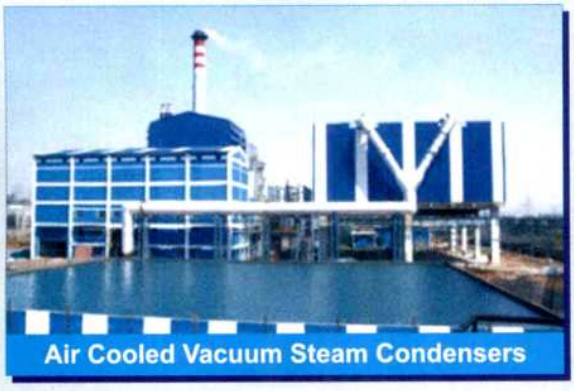


GEI Industrial Systems Ltd. has references of more than 115 ACCs for a combined power plant capacity of 3500 MW including 150 MW plants. GEI, celebrating its 40th anniversary this year has the capacity to produce ACCs for a total power plant of 5000 MW annually.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BT-CARMA

CEO Watch

INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs IN MARCH

Mukesh Ambani

Mukesh Ambani was the most tracked CEO in March. Reliance Industries's blockbuster $7.2-billion oil and gas alliance with BP kept the senior Ambani in the limelight. The pink papers saw Ambani as an "avid deal maker" given the spate of deals announced by RIL recently – from the joint venture with Atlas Energy in the US for shale gas to the BP deal.

Ambani also won accolades for his growing global stature. His appointment as Director on the board of Bank of America – the first non-American – and his 34th rank on *Forbes* World's Most Powerful People List of 2011 also got extensive coverage in the media.

RAJAT BARAN

TOP 10 INDIAN CEOs

Anil Ambani

M.D. Mallya

Rank	CEO/Company	No. of Stories	
1	Mukesh Ambani/Reliance Industries	47	▲
2	Anil Ambani/ADAG	28	▼
3	Ratan Tata/Tata Group	25	▲
4	A.K. Srivastava/Nalco	10	NEW
5	O.P. Bhatt/State Bank of India	9	▲
6	Arvind Jadhav/Air India	8	NEW
7	N. Chandrasekaran/TCS	7	▲
8	N. Jindal/JSPL	6	NEW
9	M.D. Mallya/Bank of Baroda	6	▲
10	M. Narendra/Indian Overseas Bank	6	NEW

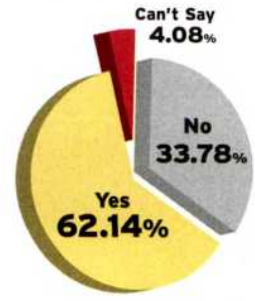
TOP 10 GLOBAL CEOs

Rupert Murdoch

Lloyd Blankfein

Rank	CEO/Company	No. of Stories	
1	Warren Buffett/Berkshire Hathaway	126	▲
2	Rupert Murdoch/News Corp	88	▲
3	Steve Jobs/Apple	84	▲
4	Carlos Ghosn/Nissan-Renault	65	NEW
5	Stuart T. Gulliver/HSBC	39	NEW
6	Leo Apotheker/HP	34	NEW
7	Lloyd Blankfein/Goldman Sachs	34	▲
8	Dan Akerson/General Motors	33	NEW
9	Bernard Arnault/LVMH	27	NEW
10	Bob Dudley/BP	26	▼

Q. Will the crisis in Japan weigh down stocks in Asia?



Results of *BT* online poll; No. of respondents: 151

Concerns over the impact of the Japanese crisis on the global economy had dragged down Asian stock markets. Though they have since partially recovered, cheered by news that Japan has managed to control the radiation leaks at its damaged nuclear plant, a majority of our respondents felt business in Japan was still not out of the woods and the markets would continue to reflect this. Negative sentiment following the quake-cum-tsunami, rather than justified fears are keeping Asian markets down, claim analysts. Global investors feel this is the right time to buy Asian stocks as the markets are bound to correct sooner or later.

Next poll question:

Is India's burgeoning population a drain on its economy?

Log on to www.businesstoday.in to cast your vote

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Vehicle Premiums: Driving North

A new directive from the insurance regulator is set to increase premiums for motor insurance cover. By DIPAK MONDAL

What is proposed...

The Insurance Regulatory and Development Authority, or IRDA, has directed all general insurance companies to maintain a minimum reserve of 150 per cent of the annual premiums they collect. This means that for every ₹100 of premium an insurance company collects, it should keep ₹150 in reserve to service any claims from insured parties that may arise. Currently, insurance companies maintain around 126 per cent of all premiums collected as reserves.

However, this reserve, also called the solvency ratio, need not be increased in one go. IRDA wants it increased to 130 per cent by March 31 this year, and then raised gradually to 150 per cent by March 31, 2014.

To comply with the IRDA's new rule, insurance companies feel they have no choice but to hike the premiums.

... and the reasons...

The directive came after the IRDA found that the total claim amount paid out by insurance companies in the past three years under the third-party motor insurance pool was more than 180 per cent of the total premium collected on vehicles. It then decided that the minimum fund reserve of 126 per cent was not enough and should be raised.

There are two kinds of motor insurance cover — cover against damage to one's own vehicle (own damage insurance) in an accident, and third-party insurance, or cover in case the person insured is sued for damages by the other person involved in the accident. Third-party motor insurance is mandatory under Indian law. The guidelines for determining the premium amount are still set by the government. There are no such curbs on determining the premium amount for own damage insurance. All registered general insurers have to contribute to a common pool to service all third-party motor insurance claims that may arise.

RAJAT BARAN

... and its impact

"Either the government allows general insurers to increase the premium paid for third-party insurance, or the premium on own damage insurance will have to be raised to bear the extra burden," says Amarnath Ananthanarayanan, Chief Executive Officer, Bharti AXA General Insurance. "Whatever the decision, the premium on motor insurance will ultimately go up."

According to Ananthanarayanan, if insurance companies increase the own damage premium, the hike could vary from one company to another. It is estimated that, if the government gives the green signal, third-party premiums could go up by as much as 80 per cent. Since the solvency ratio is to be raised in stages, the premium increase, too, may be similarly staggered.

Courtesy: *Money Today*

NUMBERS OF NOTE

70 MILLION
The estimated DTH subscriber base by 2015.

47 PER CENT
The proportion of print advertising to the total advertising spend in 2010.

₹211 BILLION
Projected size of the print industry in 2011, up from ₹193 billion in 2010.

₹83.3 BILLION
The estimated size of the Indian film industry in 2010, a decline of seven per cent over 2009.

Source: FICCI-KPMG Indian Media & Entertainment Industry Report 2011

"In the first world, people donate to build a baseball stadium. In India we have to decide for ourselves what we want out of philanthropy. It is not for the Americans to tell us."

Yusuf Hamied, *Chairman and Managing Director, Cipla, on Bill Gates and Warren Buffett's Giving Pledge, in* The Economic Times

"The investor is like an investigative reporter. You investigate the company but don't interfere with it."

Warren Buffett, *billionaire investor, at a lunch meeting with Indian MPs*

"If you as a family live above your means for a long time, somewhere you have a bill that has to be paid."

Paul Bulcke, *CEO, Nestlé, on why the developed economies are slowing, in* Mint

"If there is inflation, blame it on Sharad Pawar, if there is spectrum scam, blame it on A. Raja... You are the country's leader... It is not good for you to blame others."

Sushma Swaraj, *BJP leader and Leader of the Opposition in the Lok Sabha, to Prime Minister Manmohan Singh in Parliament*

"Home loans that caused subprime crisis were given to people who had no income, no assets... SBI's loans are given only after assessing the repayment ability... How can these be subprime?"

O.P. Bhatt, *exiting SBI Chairman, on RBI's objection to the bank's special home loan products, quoted by wire agencies*

CLASSIC BUSINESS QUOTE

"I think that our fundamental belief is that for us growth is a way of life and we have to grow at all times."

Mukesh Ambani

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Opportunity doesn't always arrive gift wrapped.

P32981

Some thoughts on unlocking potential in today's environment: 1. Innovation is essential, especially if it's disciplined and focused on business outcomes; 2. Out-thinking the competition is useless unless you can out-execute them as well; and 3. This is no time for trial and error; winners get it right the first time. Talk to us to see how we can help you turn potential into tangible performance.

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PEOPLE POWER

1 THE GOOD NEWS: The rate of population growth is down compared to the last census, literacy is up and so is the sex ratio...

	2011	2001
Population	1,210,193,422	1,028,737,436
Decadal population growth	17.64%	21.54%
Literacy	74.04%	64.83%
Male/female ratio	940*	933

* Females for every 1,000 males

The staggering size of India's demographic dividend was brought sharply home last fortnight by the provisional results of Census 2011.

2 ... Uttar Pradesh and Maharashtra are the two most populous states, their combined population equal to that of the United States, which is three times India's size in area...

Share of different states in India's population

Figures in %

Other States	
Karnataka	5
Gujarat	5
Orissa	3
Kerala	3
Jharkhand	3
Assam	3
Punjab	2
Chhattisgarh	2
Haryana	2
Delhi	1
Jammu & Kashmir	1
Uttarakhand	1
Remaining states, UTs	2

5 STEPS TO HERE

ESSAR ENERGY'S GLOBAL FOOTPRINT

1

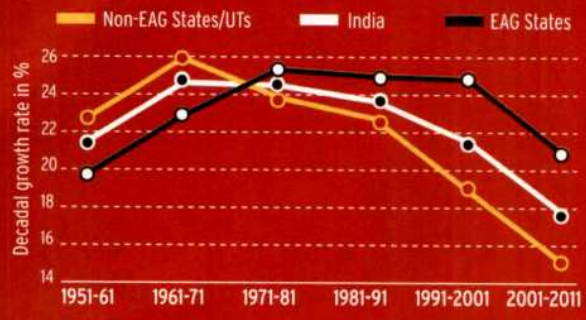
January 18, 2011
Essar Energy announces the launch of a $500 million convertible bonds issue to raise funds for its future acquisitions.

ESSAR ENERGY

2

February 18, 2011
Essar Energy enters into agreement with Royal Dutch Shell to buy out its refinery at Stanlow, Britain, for $350 million.

3 ... Even so, the rate of population growth has fallen in all the eight states – UP, Bihar, Jharkhand, Uttarakhand, MP, Chhattisgarh, Rajasthan and Orissa – where it was previously so high, that a special Empowered Action Group, or EAG, had been formed to try and bring it down



4 THE BAD NEWS: The male/female ratio may have improved, but the number of daughters born in the last decade as compared to sons, is the lowest since 1961

5 Curiously, the child sex ratio has improved in Punjab and Haryana where female foeticide was rampant. The ratio of female to male newborns improved in:

It declined or stayed the same in all other states.

Source: Census of India

GRAPHIC BY SANTOSH KUSHWAHA

BT Retro
September 10, 2006

Coming of Age

THEN: Outdoor advertising in India may finally be coming of age. There are several reasons for this. For one, the definition of "outdoor advertising" has undergone a rather dramatic change. "Any advertorial content displayed at any contact point outside the home comes under the purview of this term now," says Sandip Vij, President, Optimum Media Solutions, the media specialist division of Mudra Communications. Adds Soumitra Bhattacharyya, CEO, Madison Outdoor Media Services, the outdoor advertising arm of Madison India: "People are now spending more time outdoors." The implied meaning: ads are simply going where consumers are.

The outdoor medium, in fact, has always had the reach and is also, arguably, among the cheapest vehicles available. The major constraint, though, was quality. The evolution of large format digital printing solved that problem and now, even high-end marketers, are turning to the outdoor advertisement segment. "The outdoor medium has emerged as a significant alternative to satellite TV channels and the print media," says Bhattacharyya.

But historically, this segment has been controlled mostly by small-scale and local-level hoardings companies and is, therefore, highly fragmented. But over the last year, some consolidation has started in this space. Agencies such as Kinetic (the outdoor media buying arm of the WPP Group) and Primesite (promoted by Mudra) are making significant inroads into this sector.

NOW: Outdoor advertising is about 17 per cent of the ₹266 billion Indian advertising industry. It is expected to grow at 12 per cent plus for the next few years.

3

March 4, 2011
Employees' union rejects the deal following differences over pension payouts with Essar.

4

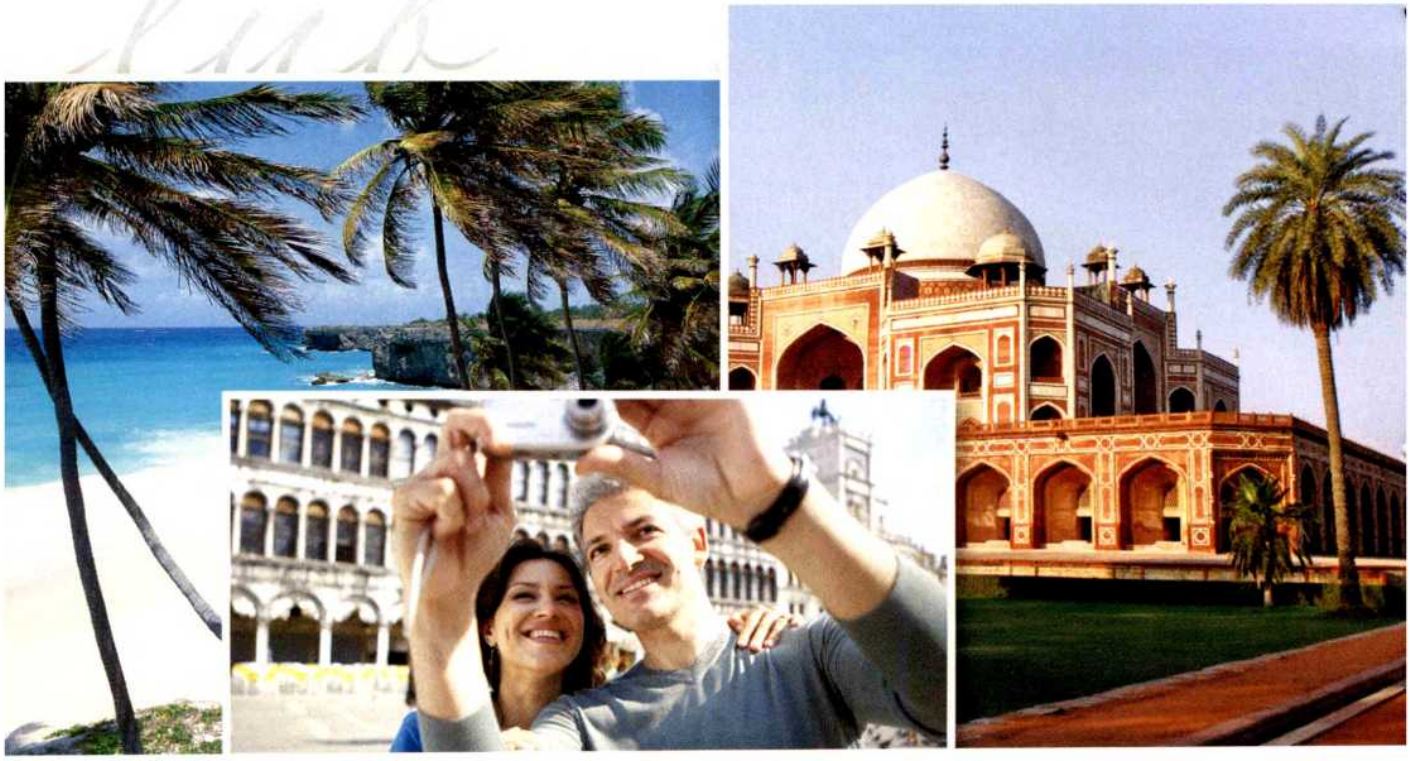
March 14, 2011
Essar agrees to replicate Shell's pension benefits. Says benefit packages to remain unchanged for a minimum of two years.

Essar Group Chairman Shashi Ruia

5

March 29, 2011
Essar Energy buys the Stanlow refinery, expands its global footprint.

ANAMIKA BUTALIA



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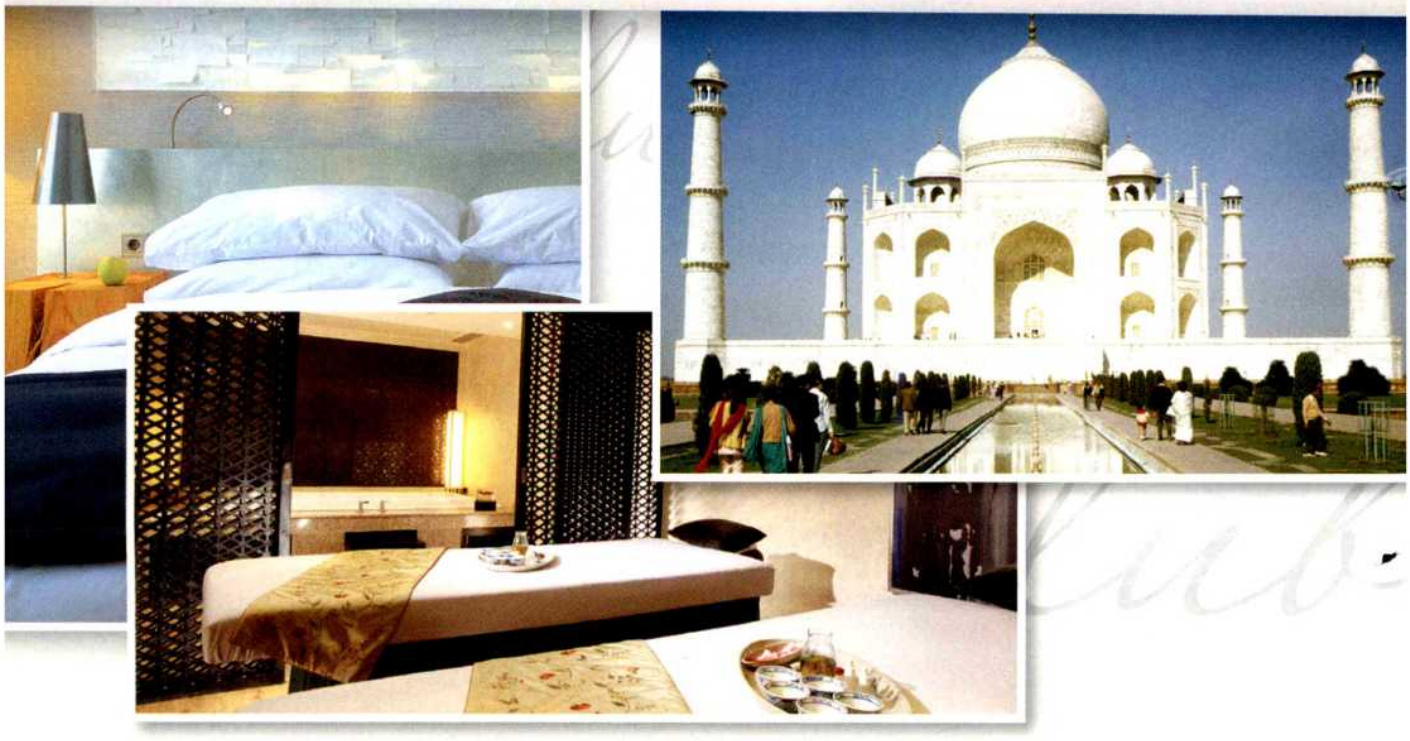

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Mixed bag: Latest mobile devices from Samsung and SonyEricsson

Big Screen Wonder

Samsung Wave 2

- ⊕ Excellent screen, good camera, smooth interface
- ⊖ Limited choice of applications

Price: ₹20,900

The 3.7-inch diagonal Super-LCD screen on Samsung's Wave 2 is by far the best screen one can buy at this price. There is little fundamentally wrong with the phone, which has Samsung's proprietory Bada operating system. Bada can run most Java applications very smoothly, thanks to a zippy one-gigahertz processor.

The device we reviewed, though, had difficulty logging on to the data network directly from applications, despite constantly setting up access points. And even when you manage to get on to a data network, 2G or 3G, the lack of applications on Bada is bothersome. One really hoped for more native Bada apps than the ones Samsung throws in. As for the other features — such as movie playback, which the company is using to advertise the device — the Wave 2 is very good and great value for its price.

SonyEricsson XPERIA Play

Falling Short

The PlayStation brand has been Sony's most successful product over the past decade. The SonyEricsson XPERIA Play device has a slide-out gamepad with sturdy direction keys, capacitive-touch analog gamepads, familiar PlayStation keys and left and right triggers. The problem, though, is the lack of PlayStation titles.

The screen is massive but not bright. Though the XPERIA Play has a fast one-gigahertz Snapdragon processor inside, it is extremely susceptible to crashing. There is also a lack of high-definition video recording.

The XPERIA Play leaves you distinctly wanting more.

- ⊕ Great gamepad with excellent controls, large screen and old version of Android
- ⊖ Low brightness screen, no HD recording, Lack of PS Pocket game titles

COMPILED BY KUSHAN MITRA

HOW THINGS WORK

Contamination Crisis

In the aftermath of the explosion at the Fukushima nuclear reactor in Japan following the quake-cum-tsunami there, a primer on nuclear meltdown, its dangers, and how to protect oneself:

WHAT IS IT?: 'Nuclear meltdown' is an informal term for a nuclear reactor accident, from overheating. It releases radioactive material into the atmosphere, which can result in radiological contamination of the environment and, in turn, human life.

CONTRACTING CONTAMINATION: Contamination can occur through multiple routes: the gastrointestinal tract, the respiratory tract, or even through the pores of the skin.

SAFETY MEASURES: Use physical protection gear like a gas mask. Do not consume food or water that has not been checked for contamination. Eat nutrient dense foods, drink cod liver and olive oil, avoid sugar and wheat. If contaminated, potassium iodide is an antidote.

AFP

JUST WONDERING

Work Not in Progress

The 27-km long Digha-Sonepur rail-cum-road bridge in Bihar remains incomplete 15 years after it was first proposed. Touted as the longest rail bridge in the country, which would connect Patna to Sonepur across the Ganga river, it has been shrouded in controversy from the start. When survey work for the project began in 1996, two political stalwarts of the state, Lalu Prasad and Ram Vilas Paswan, took opposing positions on it: Lalu supported it, while Paswan preferred an alternative site. Paswan's stance led to furious protests by the residents of Sonepur, forcing police to open fire. Later that year, then Prime Minister H.D. Deve Gowda laid the foundation stone for the construction of the bridge. But the project still failed to take off. Finally in 2001, the bridge was sanctioned at a cost of ₹700 crore, and assigned a completion deadline of 2009. Two years beyond the deadline, work on the bridge still continues.

COMPILED BY ANAMIKA BUTALIA

QUIRKY

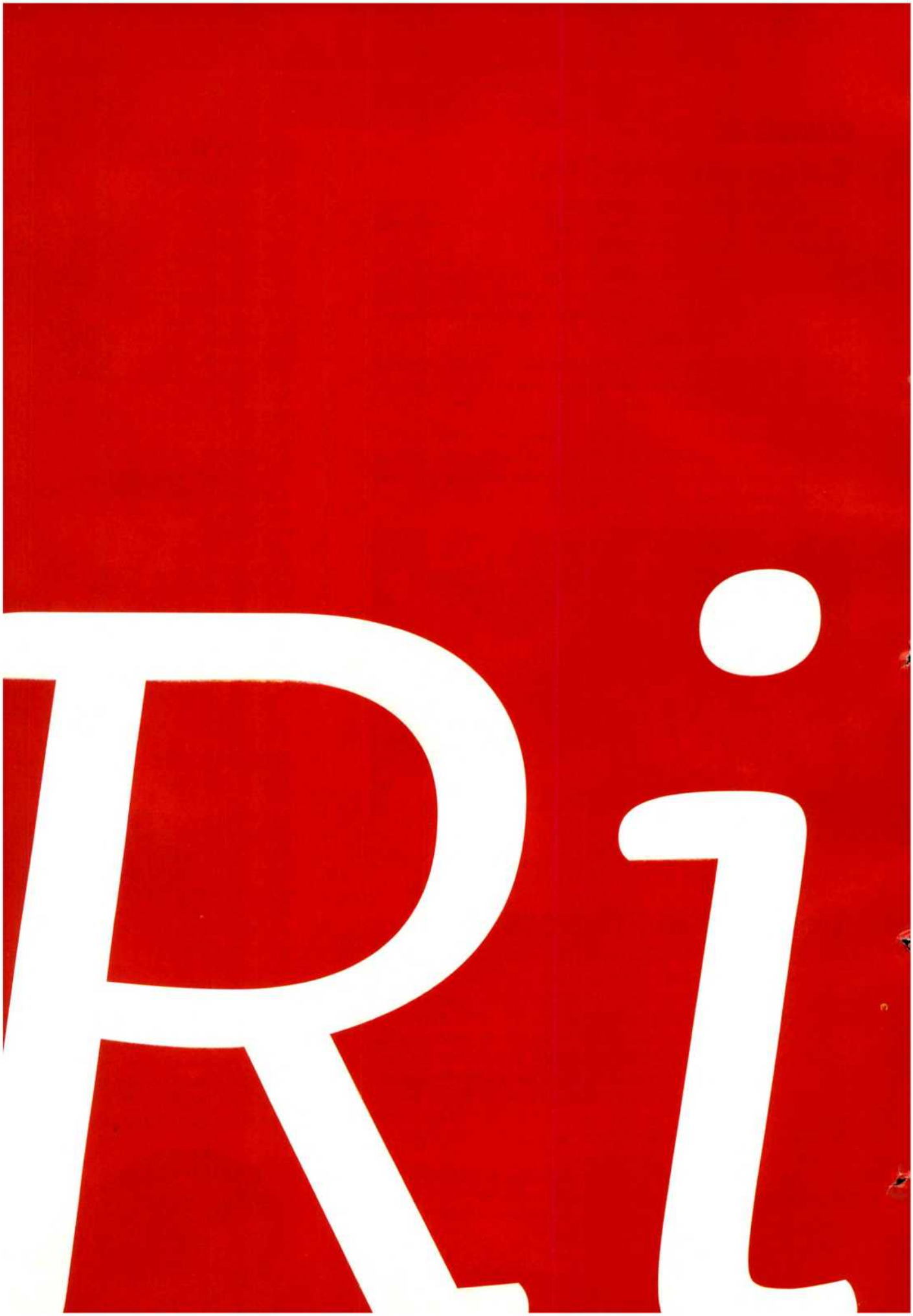
Cough It Up, Postmaster

Last fortnight, the National Consumer Disputes Redressal Commission directed the Postmaster General of Kerala to fork out airfare for a job aspirant. Why? Kiron Rasheed from Kollam had been called for an interview with the Indian Railway Catering and Tourism Corporation, or IRCTC, on August 25, 2005. The letter was dispatched by IRCTC on August 16. But it was delivered to Rasheed on August 22. With just three days in hand, it was impossible for him to reach the interview venue – in another city – unless he took a flight. The question nobody asking is: What if the letter had reached after August 25? Would the postmaster have been asked to get Rasheed a job? Or pay him a salary out of his own pocket?

SNOOT CORNER

Risking Life for a Taste

Fugu, the blowfish, is a lethal Japanese delicacy. It hardly looks deadly. But it is, if not properly cleaned before cooking. Indeed, fugu is said to be 1,250 times more poisonous than cyanide. It comes from the port town of Shimonoseki, also called the fugu capital. Fishermen who catch the fugu are known to stitch up their mouths to keep them from biting and killing one another while being transported. Each fugu chef is bound by law to taste his own preparation before offering it to others. If a customer dies of eating fugu, the chef is honour-bound to take his own life as well. There is a fugu museum in Osaka.


Ri

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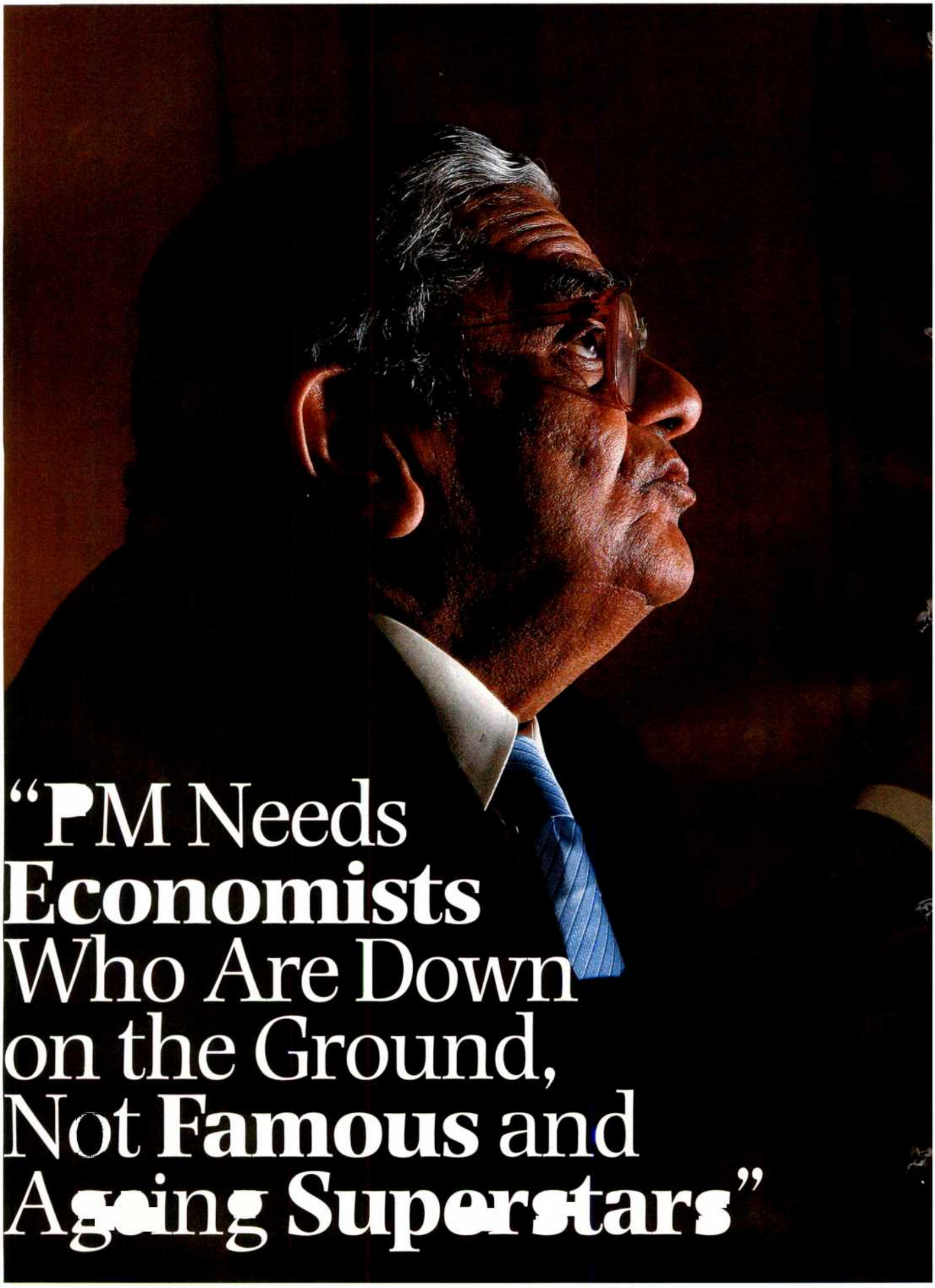
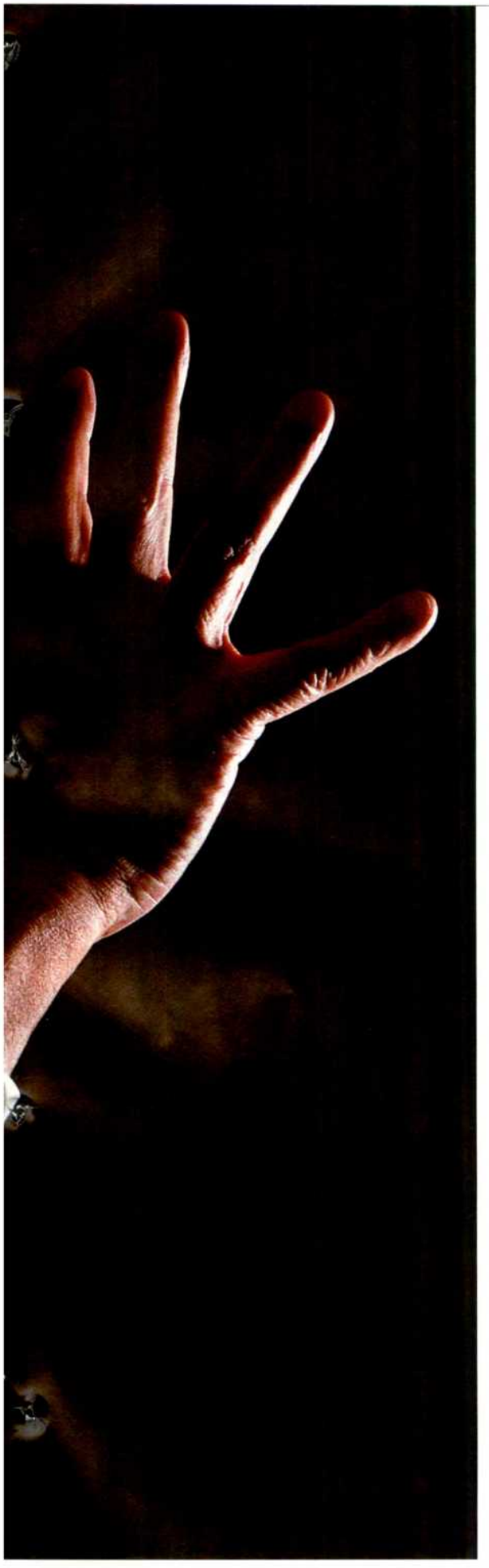


"PM Needs **Economists** Who Are Down on the Ground, Not **Famous** and Ageing **Superstars**"



Prof **JAGDISH BHAGWATI**, *one of the most outspoken proponents of free trade, has been praised by Prime Minister Manmohan Singh as the inspiration for the reforms launched in 1991, when Singh was Finance Minister. Bhagwati, a professor of economics at Columbia University, was recently in Delhi at the invitation of the Federation of Indian Chambers of Commerce & Industry.* BT's **PUJA MEHRA** *and* **SOMNATH DASGUPTA** *caught up with him just after he had addressed industry leaders. Bhagwati held forth on globalisation, his pet subject, what he thinks of the pace of India's reforms now, the danger of keeping one foot in the past and more. His candid comments spare no one. Bureaucrats and economists of the Jawaharlal Nehru University, or* JNU, *get the most flak. Edited excerpts:*

On globalisation: Globalisation is an aggregate sort of concept... It is the integration of national economies into the international economy. This can happen on several dimensions, which must be distinguished from one another, otherwise you get a chaotic analysis which means nothing. Like, many people ask in polls, do you believe in globalisation? And the guy just says yes or no. There are five dimensions. They are international trade, short-term capital flows — which are problematic as you know — equity investments, or what we call multinationals, then international migration. I just call it international flows of humanity, because it can include refugees, legal and illegal migrants.

And the last dimension is patents — the diffusion of technology, purchase of technology, whatever.

Full transcript of the interview at
www.businesstoday.in/bhagwati

On Prime Minister Manmohan Singh failing to deliver the kind of reforms expected of him: I blame us economists for that. We in the 1960s were recommending to the system extensive intervention. What we call *dirigiste* policies. We never realised how badly it would turn out. Then we changed our minds, you see. Not everybody — right now Prof (Joseph) Stiglitz has invited the JNU crowd and I hope they keep some of them there forever, because America can afford damage, not India. We changed our minds about how the whole policy framework was counterproductive, (but) the politicians now are faced with institutions, lobbies, which were set up around the old ideas. And now we go and say: 'Change the system'.

In a democratic system, you are going to have to negotiate the minefields. It is enough for me as a professor to say, 'Look, this turned out to be a mistake', but how does he deal with the lobbies? Because even people, like the Confederation of Indian Industry, were all against removing protection. For years, people had talked about removing the licensing system. Nobody had succeeded. Finally, Manmohan Singh did carry it through. Then the normal reaction was: 'Oh, that's the easy part. He hasn't done anything.' But before that nobody thought it was possible.

PHOTOGRAPHS BY SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

On what his advice to Singh would be should it be sought: There are some things which need to be done more of... like labour market reform. But that's a particularly difficult one, right... If you say, look, we are not going to have sick units and automatic support of labour, then it gets very difficult. Because the unions will protest and so on. I think he has to move ahead on privatisation. I am not saying move instantaneously... but make moves towards it.

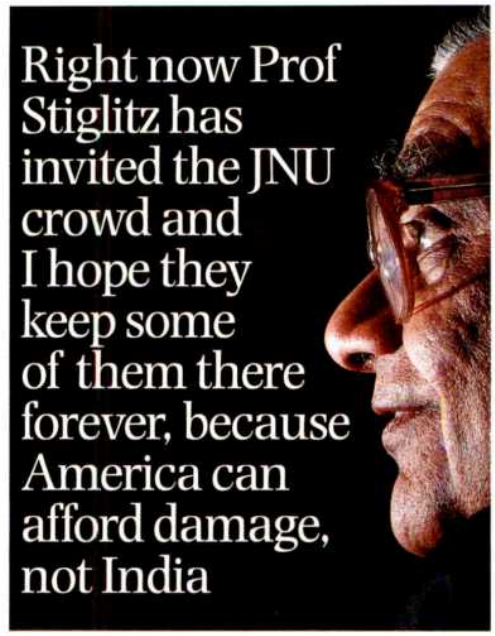
Also, bring down the trade barriers that are still significant compared to world standards. So we have to open up the economy still more. I think the bureaucratic interference with foreign investment — I mean, we still have one foot in the old model in terms of our attitudes. These are mutual gain transactions in most cases. So the other guy is going to make a profit. But as long as you also make a profit, that is what you have got to look for.

I think, on all these dimensions, the Prime Minister will be agreeable, but he has got to push for leadership.

And then, also, what I called in my Lok Sabha lecture, the Stage Two reforms. Once you get more funds, you are spending them on education, health, etc... Those things are social engineering questions (whether health should be in the private or public sector). They are more complicated than trade barriers. So that is where the Prime Minister has got to really set up good task forces, like he has brought in (Nandan) Nilekani for the ID thing. So he's got to bring in more technology, more scientists... And more economists who are down on the ground, not just people who are famous and ageing superstars. Because the young people are into all these things, you see, and that's what we need now. Even Prof Kaushik Basu (chief economic adviser to the finance minister) — he is very clever, but he is not a macroeconomist. And finance, (if it were to be offered to me) I wouldn't dare to touch. I would say, 'No, thank you'. Prof Basu is clever and so he has learnt something, but that's not same as having somebody who is really proper for the job. He will be better off in some other assignment.

On labour reforms in the absence of social security: Yes, that does make it difficult to fire people. Because in India, even getting one job in a lifetime is difficult. To try and get two jobs is hard. Unless the system is expanding rapidly, it is hard to do it. You have to play it by ear and you can't have blanket solutions. I would say, now, because the system is expanding rapidly, one should be able to at least try and take a bite at the labour market reforms.

Social security will have to be very limited right now... it depends on whether you can finance it. The Chinese have grown much faster, and they are beginning to put in social security now. I think we have got to take a stab at that and gradually build up on both these things. Without labour reforms you can't attract investment — if you can't fire people after hiring them, you will be stuck with a huge liability.



People are very tightly competing with one another because there are a whole lot of similarities still. I mean, they read the same textbooks, multinationals invest in all sorts of places and take the same technology, so some elements of differences have been reduced, making life more competitive. In that situation, you may have comparative advantage one day but tomorrow it is gone, to someone who was just behind you, it could be anywhere.

We are in international competition, we have to be able to work out a system under which labour laws can be more flexible. I think there is no alternative to just sitting down with the unions and working it out. Ultimately, it is a democratic system — you can't just impose your will.

On the pace of progress: In a democratic country, you are going to have a slower pace of reforms, because these guys have to negotiate the politics of it. So my view of every government is benign, in the sense that, as long as they are moving in the right direction, I am not going to double guess the speed at which they should go, because that is a luxury that I have sitting in my armchair. It's going to be slower than what one could have in a country like China, where they just send you packing to Outer Mongolia or whatever. They are capable of pretty rough stuff. We can't do that and we shouldn't do that.

On the Planning Commission, where he has served: That institution to me is irrelevant. What matters is what set of policies you need in the country to move ahead. And then for the politicians to get heavily involved in working out the trajectory by which they can do it. I think they are two complementary processes.◆

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"Everybody Is Trying to Follow Us"

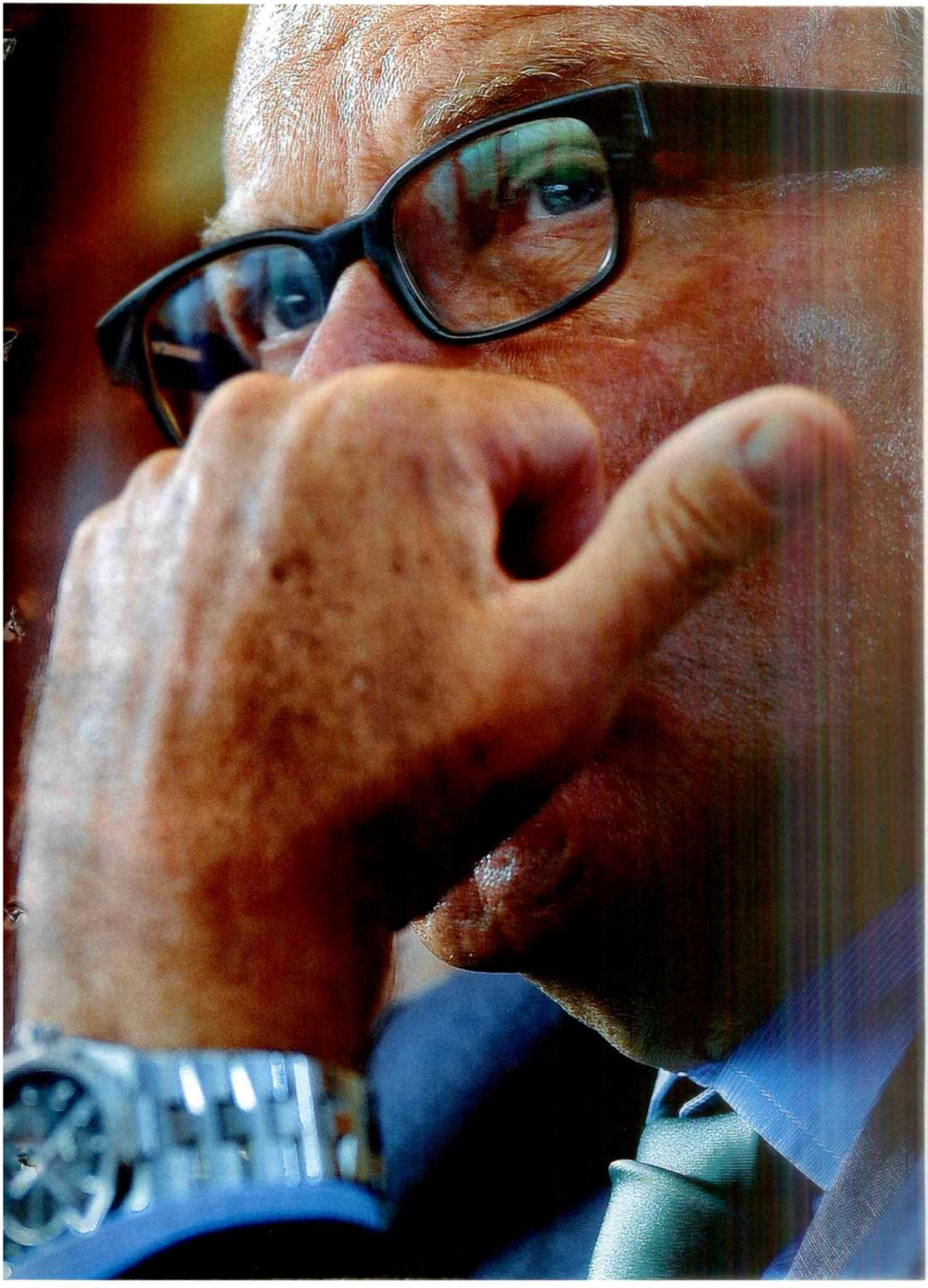
SIR MARTIN SORRELL *is arguably one of the most influential men in the communications industry. He is the CEO of WPP, the conglomerate he began creating in the 1980s using a wire and plastic products unit as the launch pad for a series of audacious takeovers. Today, WPP has a media portfolio of $72 billion, or ₹3.24 trillion (1 trillion=100,000 crore), and is a powerhouse not only in the media and creative businesses, but also in data analytics and new media. In India recently on a business visit, he spoke to* BT*'s* **ANUMEHA CHATURVEDI** *and* **SOMNATH DASGUPTA** *on new media, commoditisation of the business and pay walls, and much more. Edited excerpts:*

On what differentiates WPP from rivals: Our strategy differentiates us... In India we have a very big market share, in China we have about 15 per cent, in Brazil we have 25 per cent, in Russia we have 25 per cent. So I think the first thing (differentiator) is new markets, the second is new media. As with new markets, it is about 30 per cent of our revenues. Our revenues last year were about $15 billion (₹67,500 crore).... In both cases, our businesses are twice as big as the competition. And the third area is consumer insight, which is about 25 per cent of our business. We are very big in market research business in India. So actually India as a point of differentiation is affected by all three — new markets, new media and consumer insight.

Whereas the traditional agencies or the traditional approach would be to focus on planning, creative execution and distribution, we are focused on the application of technology as a fourth area, and data analytics as a fifth. Nobody has a consumer insight business.

Do media and creative departments work better in silos? Well the cat's out of the bag. If you were a media person, or indeed a creative person, why would you agree, having separated these things, to put them together? The issue would be who reports to whom, or who originates the ideas.... I do think coordination is important, but I also think the medium is becoming more important than the message. Therefore, media people, probably rightly, stress their importance and the problem in the old full-service agencies was that they used to put media in the back of the agency. Media people never got the nice cars, the nice offices or the incentives or the bonuses. So why would they, having gained their independence, want to go back? The creative part of the agency — so-called creative, because everyone is creative — would like to see it. They made a mistake, they lost control. But they lost control because they never gave the media side enough importance. So I think it's unrealistic to expect a fusion. If clients do want fusion, you can achieve the same organisationally by putting the two together.

On why the advertising industry does not recruit heavily from B-school campuses: We have. We have been very aggressive, particularly with our fellowship programme, which is unique... The problem with our industry is that the



philosophy or the ground rule is **if you win a piece of business and you need people, you nick them,** you steal them from the competition. That, in the long run, can never be a solution... The reason why McKinsey is such a strong company or Goldman is such a strong company is that they recruit the best people at universities and schools.

There was an exchange between Michael Roth (Chairman and CEO of Interpublic, a rival group) and me at a session in Austin (Texas). He made some comments about how he had put his strategy officer in charge of talent.... The person he was referring to was doing strategy and talent. The person reporting to the talent officer.... all he does is go around and try and recruit people at escalating salary and incentive packages in order to nick them. It's outrageous!

Full transcript of the interview at www.businesstoday.in/sorrell

Rivals say WPP commoditised the business... Well, of course they would say that! They would be upset because they didn't think of it first!

Ah, so WPP did commoditise?

No, no, no! No I didn't say that! I said they would say that because we thought of it first... we thought of actually consolidating the media. Of course, they would say that because they are jealous of our position. I do not blame them. I think that is a good indication that what we are doing is right. Not commoditising it, you know, because if you look at the media side, there is media buying, media planning. You can't commoditise it. It gives you that opportunity to leverage that position on behalf of your clients to get better content across platforms. ... I mean, how would you explain, if it was such a bad idea, why everybody is trying to follow us? Haven't got particularly far, but they are trying!

Is the mobile going to be the new Internet in India? I do think it will... There are three mobile providers (each) with over a 100 million (subscribers) here... Theoretically, you would leapfrog the PC, and you would have a new model, here in India, or China or Brazil or Russia, where smartphones will be the cheap form of access to the Internet.... But we haven't seen much of that allocated or diverted from budgets.

You know we have 40 per cent of the largest mobile agency icon (iconmobile GmbH, a mobile marketing network)... That has tremendous volume, but its profitability is limited, to put it mildly.... I think it is still in its infancy. The other problem is that, historically, the network operators, would never cooperate. When Google and Apple started to develop their own operating systems, that put a lot of pressure on the networks to get their act together. We still haven't reached tipping point yet. (But) it is going to be very important.

Ultimately, people are right when they say you can't differentiate between the two... When I listen to radio on this (gestures at his iPad), which I can do, is that radio or is that new media?

Are media agencies better than creative agencies at digital? I don't think you should say that. I think it would be very unfair to say that one is better than the other.... **everyone is creative, even financial people, sometimes they can be too creative.** You could say you got the old agencies, the traditional agencies, you've got the digital agencies, and you've got the media agencies. And if you were to choose between the three of them, you would have to say that somebody who focuses on one thing, digital, would probably have a stronger call there.

On pay walls and the way forward: Three things have to happen.... You have to have consumers paying for content that they value. If they think you know what you are talking about, and you write good stuff, they should pay for it. It is the ultimate economic measurement... Two, you are going to get more consolidation, because there are too many media owners. And the third thing, which is probably much more controversial, is that you would probably need state subsidy. The way the BBC has state subsidy. I think those are three things that have to happen for the traditional market to establish equilibrium.

On mining data from TV set-top boxes: There are issues of privacy... getting consumers to opt in or opt out — we prefer the opt out route — this is critically important. On set-top boxes, there are potentially very useful ways.... You would know who you are talking to, and therefore it is likely to be much more effective...

But all that raises big issues of confidentiality and privacy. What you have to do is you have to work out a system with the regulators... about how you control that. ◆

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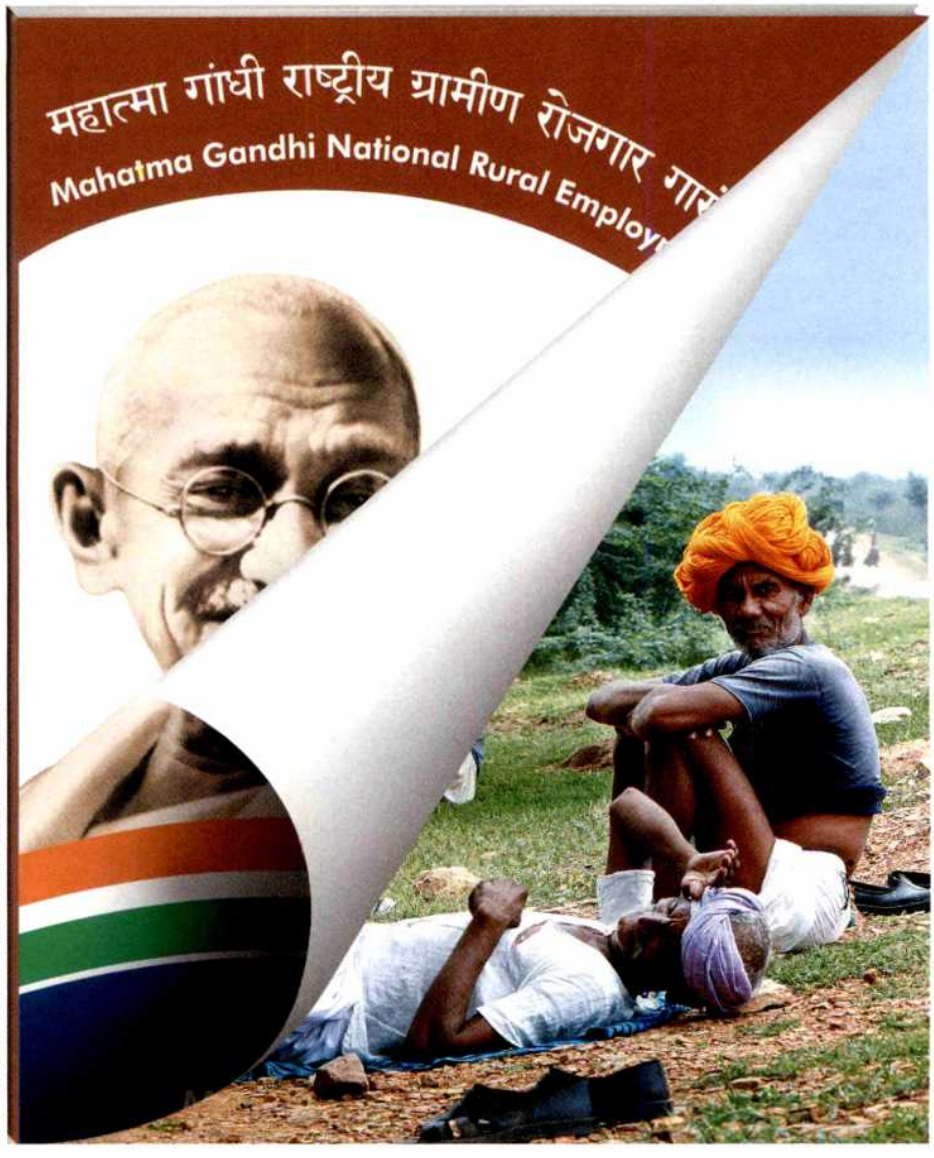
Everybody Loves to Fight Poverty

An insider view on the workings of the UPA government's blockbuster social security scheme. By PUJA MEHRA



SHEKHAR GHOSH, IMAGING: ANAND SINHA

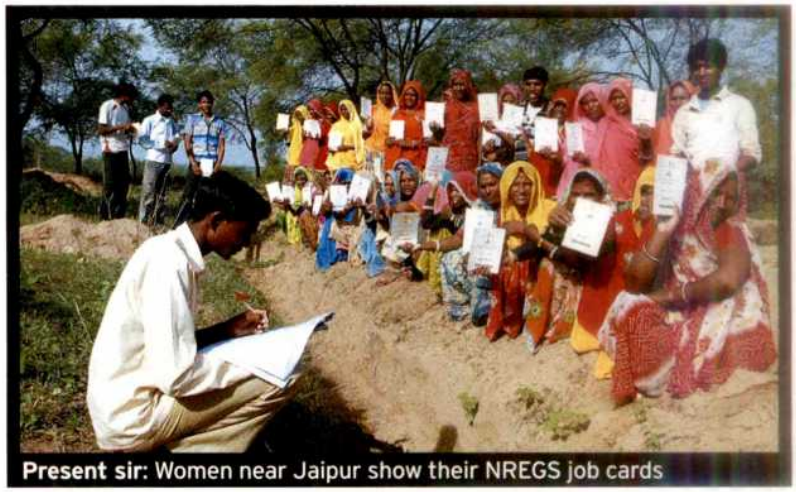
It is not often that a social security programme the size of the Mahatma Gandhi NREGS — New Delhi has spent ₹40,000 crore on it in 2010/11 alone — faces an existential moment. But, April 2011 presents one such crossroad: the end of the term of a bureaucrat widely acknowledged as the prime mover behind the five-year-old scheme designed originally by activists in the National Advisory Council.

Brought in six years ago to the Centre from her parent Madhya Pradesh cadre, Amita Sharma, Joint Secretary at the Union Ministry of Rural Development, was given a free hand by successive ministers in two United Progressive Alliance governments. Many credit the success of NREGS, as the Mahatma Gandhi National Rural Employment Guarantee Scheme is called in short, to her passion and drive.

With Sharma exiting, there is worry in certain sections of New Delhi's bureaucracy that NREGS will miss her firm hand at the wheel. I do not say this lightly. I have tracked the scheme since its inception in 2006. A few months ago I got to see the scheme and Sharma's work up close.

Taking note of my reporting on various aspects of NREGS, the Ministry of Rural Development, in the last week of 2010, appointed me on an expert committee to choose districts that had excelled at implementing the scheme. Based on the seven-member committee's choice, on February 2, the founding day of the scheme, Prime Minister Manmohan Singh and Congress President Sonia Gandhi gave away awards to 10 districts from among 46 nominated by 16 states.

But that was not the highlight for me. It was the award selections. Right from the start, it became clear that no district had been able to implement the scheme fully. Not a single job seeker in the country had been paid compensation for the state's delay or failure to provide him or her work, as the Act, under which the scheme is being implemented, decrees. Strictly speaking, then, every district had violated the law governing the scheme.



Present sir: Women near Jaipur show their NREGS job cards

So the first decision of the committee was to reduce the scope of the awards from 'honouring' districts for their 'excellence', to 'recognising' them for 'initiating' the scheme in certain areas. For instance, we chose Kandhamal district in Orissa, which saw severe religious riots in September 2008, for an award, for using NREGS to promote communal harmony and generate livelihood.

Few among the presentations made by officials from the 46 nominated districts impressed us. We eliminated 16 when we found that either the average number of days job seekers were given work in these districts was lower than the national average of 54 (the law stipulates 100 days of work), or that they had violated the rule that at least half of those being given work be women. Those turned away included Muktsar and Gurdaspur in Punjab, the state of my ancestors. Muktsar averaged 21 person-days under the scheme in 2010, while in Gurdaspur just four in 100 jobs went to women.

> A District Collector from Muzaffarpur insisted on making a presentation on social forestry rather than NREGS

Another 13 districts got eliminated for failing to ensure that at least 60 per cent of those given work under the scheme belonged to either the scheduled caste or scheduled tribe category. Two prime examples were Andhra Pradesh's Vizianagaram and Kurnool districts that had those from the SC/ST categories getting less than a third of the jobs despite spending nearly ₹250 crore each a year — about the highest in the country — on the scheme. One reason for such a poor rate of enrolment among the society's backward sections, I suspect, is because execution of the scheme rests with the state's water management and land development departments. This is very different from district collectors who "own" NREGS implementation elsewhere.

The number of qualifying dis-

tricts was thus down to 17. Of these, nine more were dropped because they had at least one complaint or more over NREGS implementation left unattended to for more than 30 days. Some states simply could not qualify for an award for odd reasons. Example: the district collector from Muzaffarpur in Bihar, a big-built man over six feet tall and with a matching baritone, had little to say about the scheme but more about social forestry in his district.

The field visits we made were eye openers too. We would have liked to have made surprise visits, but were told by rural development ministry officials that this was out of question, as the state governments would say the Centre did not trust them! I visited two districts: Barmer in Rajasthan and Sant Ravidas Nagar in Uttar Pradesh.

Barmer's District Collector Gaurav Goyal, 27, took us to remote, sparsely populated blocks of the district bordering Pakistan and the Rann of Kutch in Gujarat. Largely barren desert land holdings provide very little to the poor families here. They produce a single annual crop of coarse grain and survive on a handful of it for each person daily. But thanks to work under the NREGS, a few green patches were visible: cumin fields irrigated by water pumped out of *beris* or wells dug for SC or ST beneficiaries. At one such farm, the owner told us that neither he, nor his father before him, had ever raised two crops a year.

Some others have constructed *takkas* or water tanks — life changers for womenfolk who, until then, had to walk several kilometres daily to fetch water. But, still, there were other oddities indicating leakages. The cost of building a *takka* is up from ₹40,000 to ₹140,000 and inflation alone cannot explain this. It looks like a classic case of money being siphoned off.

The story at Sant Ravidas Nagar, where the powerful seemed to have taken control of local NREGS work, was different. We saw ponds the size of Olympic swimming pools that had been dug under the scheme, but were all dry. At one of the sites where work was still on, labourers told me that powerful, upper caste landowners owned the surrounding fields. After the monsoon, the ponds ran dry as the landlords pumped out the water for private use. Requests to the gram panchayat that a few ponds be dug in the Dalit *basti*s had been to no avail.

Even so, there were instances of change. At the district, a carpet export hub that has one of the highest population densities in the country, NREGS has set off an acute labour shortage as the wages notified under the scheme are nearly twice what carpet weavers are paid. We also met young men who had returned from Mumbai, preferring to make a decent living at home rather than endure the port city's squalor. We saw women from the impoverished, rat-eating Musahari tribe working alongside men, being paid the same rates and operating bank accounts.

The story to me is clear. The UPA will have to find as driven and competent a replacement for joint secretary Sharma (incidentally an *India Today Woman In Public Affairs* award winner in 2010). It's like a start-up that has hit big-time suddenly having its founder leaving. Sharma's role in building such a big scheme ground up with transparent systems has been phenomenal. A management information system shows, online and almost in real time, details of wages paid, money spent on material, and other details for every single job seeker in the country. Sharma was instrumental in ensuring electronic transfer of funds directly from Delhi to the districts bypassing state capitals. No mean task that.

If the government can spot a competent candidate to take Sharma's position in driving NREGS — and, to be sure, there are many government officers who can do so — I will then be glad that my tax money is going to change the lives of India's poor. I will, meanwhile, report — both the good and the bad — on how the scheme pans out in the years ahead. ◆

NREGS NUGGETS

Tamil Nadu is paying wages in cash not through banks or post offices

Rajasthan is building *takka*s or drinking water tanks at a cost of ₹1,40,000 each, up from ₹40,000 in two years

Panchayats with women Sarpanches are largely run by Sarpanch Patis (husbands)

Churachandpur in Manipur is giving 100 days of work to 100 per cent of its population. Infants too?

No district has a foolproof system of addressing the grievances of job seekers

In Sant Ravidas Nagar, Uttar Pradesh, the District Collector suspended 23 elected Pradhans in 2010

Taking the lead: Amita Sharma

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BIG WIN, BIGGER MONEY

Team India's successful World Cup campaign will see more money pouring into the game. By BASUDHA DAS and ANUSHA SUBRAMANIAN

₹800 crore
ESPN's revenues from the World Cup

₹1,000 crore
Revenues expected by SET Max from IPL 4

23.21%
Total TV Rating for World Cup Final

When Mahendra Singh Dhoni lifted Sri Lankan pacer Nuwan Kulasekara for that gigantic six a day after All Fools Day, it was not just the end of a victorious World Cup campaign for the Men in Blue. For advertisers — be they manufacturers of sports goods, television sets, T-shirts or even providers of Direct-to-Home, or DTH, services — the World Cup win was the ultimate marketing sixer.

Now, with the fourth edition of the Indian Premier League, or IPL 4, underway, brands are going overboard to put their money where cricket is.

Not surpising then that, SET Max, the broadcasters of the IPL, is expecting to make ₹1,000 crore in ad revenue from the tournament compared to ₹700 crore last year. And the prominent gainers are obvi-

ously the teams associated with World Cup stars such as Dhoni's Chennai Super Kings, Sachin Tendulkar's Mumbai Indians, man of the tournament Yuvraj Singh's King's XI Punjab, and Virender Sehwag's Delhi Daredevils. Also, basking in the post-World Cup rush for ad endorsements will be young stars such as Suresh Raina, Gautam Gambhir and Virat Kohli.

Sony, which signed on the Indian skipper as a brand ambassador and spent about ₹100 crore on the World Cup campaign alone — all to promote its Bravia HD series of television sets — is set to ride the brand Dhoni wave even if it means some extra spend. Canon India has lined up a campaign featuring none other than Tendulkar.

According to media reports, consumer durables major LG, which kept away from the World Cup, intends spending ₹30 crore on IPL advertising and Maruti Suzuki, which spent ₹30 crore on the World Cup campaign, too, is betting big.

"Cricket is the most popular sport in India and is the best way to connect with the audience," says Tadato Kimura, General Manager, Marketing, Sony India. He adds the company saw the sales of its LCD television sets soar 40 per cent, or over 200,000 units, between January and mid-March. There was another 40 per cent jump in sales of flat panel sets in the last two weeks of the World Cup. "Consumer sentiment is buoyant," maintains Kimura.

For Nike, too, the World Cup came as a money spinner, which saw "very encouraging sales" of the Team India replica jerseys, jackets, T-shirts and other merchandise. "Obviously, as the game reached the knockout stages, the sales surged," says a Nike spokesperson. For IPL 4, Nike has launched a creative range of cricket inspired footwear and sportswear.

WORLD CUP SCORECARD

1. ICC World Cup 2011 has generated 69% more TV ratings as compared to World Cup 2007
2. The tournament generated an average TV rating of 4.2 on ESPN STAR Sports and 4.9 on ESPN STAR + Doordarshan
3. The nine India matches delivered an average rating of 13 on ESPN STAR Sports and 16 on ESPN STAR + Doordarshan
4. The final between India and Sri Lanka saw a record viewership of 27.2 (ESPN STAR + Doordarshan)
5. India-Sri Lanka finals saw a peak rating of 41.2 (ESPN STAR + DD), with a peak rating of 32.9 on ESPN STAR Sports
6. March 30 semi-final between India and Pakistan generated ratings of 20.3 on ESPN STAR Sports and 4.4 on DD

Source: TAM

Fresh from its successful World Cup venture, DTH operator DishTV is tying up with Kolkata Knight Riders for the IPL. "We will promote our HD services as we had done during the World Cup. The victory celebrations are going to last for sometime now and we think business will continue to be good in this season too," says Salil Kapoor, Chief Operations Officer, DishTV. DishTV, which launched a 30-channel HD bouquet on February 16, saw a 10-fold increase in sales ahead of the World Cup.

"The Cricket World Cup 2011 has delivered 69 per cent higher ratings than the 2007 edition," says Aloke Malik, Managing Director of ESPN Software India, which owns ESPN and STAR Sports. ESPN STAR Sports, or ESS, — along with Doordarshan — held sole rights to broadcast the tournament live in India. Though ESPN would not disclose numbers, sources close to it claim it would have raked in close to ₹800 crore in advertising revenues through the tournament. This World Cup generated an average TV viewership rating of 4.2 (only ESS) and 4.9 (ESS plus DD), he adds. In 2007, SET Max had won the India rights for the broadcast of the World Cup, played in the West Indies. That tournament garnered an average TV rating of 2.5 (SET Max) and 2.7 (SET Max plus DD).

"Thanks to Team India's win, more people are likely to watch cricket in the coming months," says Rohit Gupta, head of network sales at MSM India, which owns SET Max.

Gupta, however, does not see the possibility of a serious spike in revenues with IPL 4 broadcasts because of the World Cup win. "Most of our inventory was sold out even before the World Cup began. We are just holding onto a portion of the inventory of the last few matches," he says.

Shashi Sinha, CEO of media buying agency Lodestar UM India, cautions: "India did well in the World Cup. But it takes only one bad game to spoil the party. We will have to wait and watch how India performs in England and West Indies... else it could just be a passing phase." India tours West Indies in June and England in July this year.

But then, as pundits love to put it, cricket is a game of glorious uncertainties and it takes just a few overs to change the course of the game. ◆

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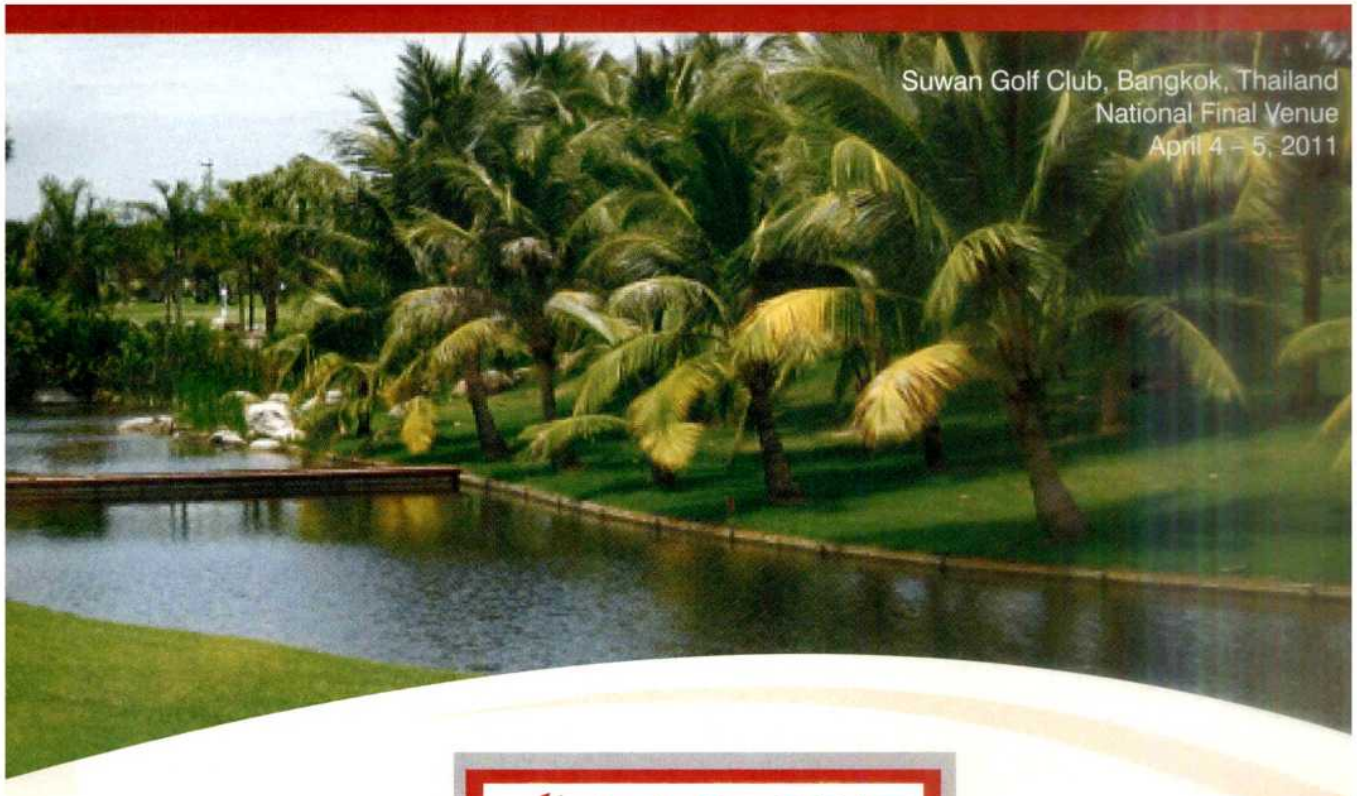

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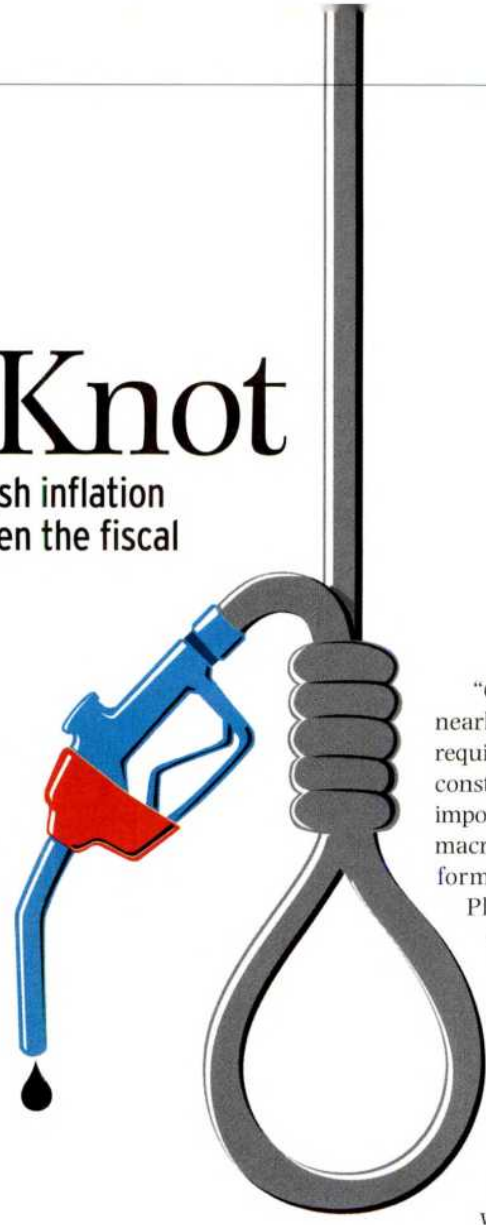
Crude Knot

Soaring oil prices could push inflation rates even higher, and widen the fiscal deficit. By MANU KAUSHIK



In February, while presenting his sixth Union Budget Finance Minister Pranab Mukherjee pegged the fiscal deficit for the financial year 2010/11 at 5.1 per cent. It was significantly lower than the previous year's 6.5 per cent and was largely the result of a better-than-projected growth in the gross domestic product, or GDP. Betting that the growth would accelerate, Mukherjee projected the fiscal deficit for FY 2011/12 at 4.6 per cent. The unspoken assumption was that the political unrest in West Asia, which sent crude prices hurtling over $100 or about ₹4,500 a barrel in January for the first time since 2008, would dissipate soon, and oil prices would not rise beyond the February levels.

The assumption has been proved wrong, at least for now. West Asia has refused to calm down — in fact, if anything, Libya has flared up. The crude oil that India buys — from a "basket" of countries including a number of them in West Asia — has persisted above the $100-mark. It was at an average of $110.66 a barrel in March. This will indubitably impact the macroeconomic scenario unfavourably. Already, there are stresses following the persistently high inflation of the past year. The headline inflation figure, or wholesale prices' index has accelerated in February to 8.3 per cent year-on-year, up from 8.2 per cent in January.

High international crude prices not only stoke inflation but also substantially raise the risk of a rise in the fiscal deficit, since India subsidises the bulk of its fuel consumption.

"Given that the country imports nearly 80 per cent of its crude oil requirement, high oil prices, which constitute a significant part of the import bill, will certainly impact the macro-economy," says Kirit Parikh, former member (energy) of the Planning Commission. Parikh expects oil prices to remain high in the short term.

A report by Singapore-based RBS Asia Securities calculates that a $10 or ₹45 per barrel increase in the price of crude will add $9 billion or ₹40,500 crore to the annual import bill, which, in turn, could increase the current account deficit (largely the gap between imports and exports) as a ratio of GDP from 3.9 per cent to 4.4 per cent.

The report also projects that the fiscal deficit could widen from 6.3 per cent to 6.6 per cent. (RBS's figures for the fiscal deficit are higher than those put out by the government for 2010/11, as it assumes the United Progressive Alliance (UPA) coalition will pass a lower share of the burden of the fuel subsidies to the state-

"The idea that liberalising diesel prices will be inflationary is misleading"

KIRIT PARIKH, Former Member, Energy, Planning Commission

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Audi A4 3.0 TDI **Performance Car of the Year Award**
CNBC-Overdrive Auto Awards

owned oil marketing companies.)

A study by Citi Investment Research projects that the fiscal deficit will be at 5.3 per cent of GDP unless the UPA government finds the courage to go ahead with the deregulation of diesel prices.

A decision to lift price controls on three sensitive petroleum products — diesel, liquefied petroleum gas, or LPG, and kerosene — could ease the petroleum subsidy bill, which stood at ₹38,386 crore in 2010/11. But with assembly polls being held in five states, the decision is expected to remain on the backburner at least through April and early May.

Diesel alone accounts for roughly 56 per cent of the subsidy bill. Petrol prices were decontrolled in June last year, which will help the government save ₹7,000 crore in subsidies in 2011/12. Fearing a political backlash from the cascading impact of higher diesel prices on overall inflation, the government has shied away from decontrolling the price of diesel. But, the fear could be unfounded. "The whole idea that liberalising diesel prices would be inflationary is misleading," says Parikh. The government is wading in a mess of its own creation. By not passing on fuel costs to consumers it is "creating an inefficient oil economy", says Parikh. "If the government decontrols diesel prices now, the rate of inflation may rise in the short term, but over the medium term it will be less than the inflation that would be there if the fiscal deficit goes up year after year."

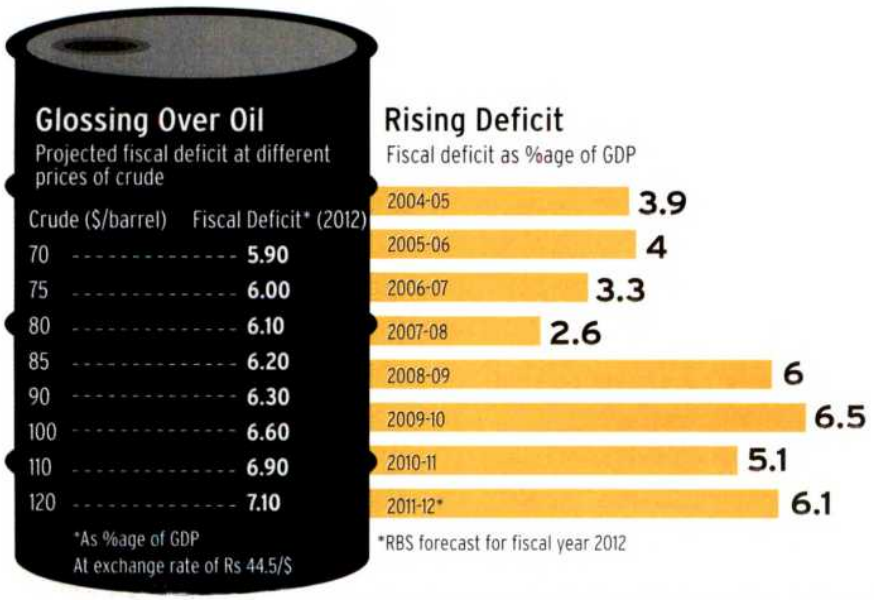
In 2010, Parikh led an expert committee tasked with drawing the roadmap for deregulation of oil prices. The panel's recommendations broadly said the government would not have to periodically increase the politically-sensitive LPG and kerosene prices if it decontrols diesel prices and introduces a profit-sharing formula with the upstream public sector explorer ONGC. The committee showed how, by lifting the curbs on diesel price, the government would be able to cap the total fiscal burden of oil subsidies at ₹23,000 crore.

The only defence of the government's fiscal deficit projections has come from Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission. Ahluwalia recently asserted that the target fiscal deficit of 4.6 per cent of GDP was achievable even if oil averaged $100 a barrel for the whole year. But with a large number of analysts predicting global oil prices to be well over $100 a barrel in 2011 — Nomura Securities expects it to touch $220 — experts want the government to pay specific attention to reducing subsidies in the oil sector to rein in the fiscal deficit.

The government's optimistic stance seems to be based on three considerations: favourable outcomes of the elections in the five states, softening of the non-fuel components of inflation, and a sense that the oil market has gotten ahead of itself — given that many advanced countries still have weak recovery from the 2007/08 downturn — and will soon undergo some correction.

But in second-guessing the global oil economy, the UPA government might have placed itself on slippery ground. "They can either lose the gamble in terms of international oil prices, or they may feel that the political situation or inflation situation is such as to introduce at least diesel price adjustment. It's certainly a situation that demands active management," says Suman Bery, the recently-retired Director General of Delhi-based National Council of Applied Economic Research.

The trouble with the UPA government's bet is that unlike in the last two years it will hardly have any cushion in 2011-12. "Unlike in the previous financial year when the government benefited from the revenues from 3G licensing and proceeds from divestment of state-owned corporations, the deficit target this year depends on the pace of economic growth and the movement in global fuel prices," ratings agency Standard & Poor's wrote in a note. High crude prices then may see the government slipping on its targets.◆



Source: Central Statistical Organisation, RBI, CEIC, Bloomberg, RBS estimates, Controller General of Accounts

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READY FOR DOOMSDAY?

Business strategies for times when life as you know it has stopped.

By SUMAN LAYAK, N. MADHAVAN and RAHUL SACHITANAND

For nearly 20 years now, Dr Pradeep Bery has been taking rescue and medical teams to hotspots around the world, from the former Soviet republics, to Iraq and Afghanistan to Africa, and back home in India after the 2004 tsunami. Even so, he was stunned when he landed in Japan recently to evacuate Axa staff from the Tokyo and Osaka regions if required, after the March 11 earthquake and tsunami nearly led to a meltdown at the Fukushima nuclear power plant.

"The Japanese were totally unprepared for anything of this scale, even though they had built the nuclear plants taking into account earthquakes and tsunamis," says Dr Bery, who had launched Meera Rescue 20 years ago to service foreign companies and is now the Managing Director of Axa Assistance India. The Japanese had never experienced a power failure and so were unprepared when utilities collapsed, he says. "In some villages, dead bodies were piled up for days as not more than 15 or 20 could be cremated a day," he adds.

If a disciplined and high-technology society like Japan can be overwhelmed, how ready is India to face unknown risks and natural calamities? And how well are Indian companies prepared to tackle a disaster? India, after all, has seen terrorist attacks and killer floods in its commercial capital Mumbai, and even the destructive power of a tsunami on the Indian east coast. Black Swan, a term coined by philosopher Nassim Nicholas Taleb for unpredictable events that have an extreme impact, entered the corporate lexicon. Or did it?

In 2007, Chemplast Sanmar, one of India's largest producers of polyvinyl chloride or PVC, acquired Trust Chemical Industries, Egypt's largest manufacturer of caustic soda. The plant is located at the Mediterranean end of the Suez Canal. When protests erupted against the Hosni Mubarak regime in Egypt in January, the plant had to be shut down for over a month. "We were caught completely unawares," says P. Jayaraman, chairman of Chemplast Sanmar.

At a large Indian company, managerial awareness did not help when it came to planning for a disaster. The head of its information technology function challenged Mahindra Special Services Group to breach its security. The consultant started a phishing campaign in the guise of a survey — sending seemingly official e-mails to staff asking for their e-mail IDs and password. More than 80 per cent of the 300 employees complied, with most of them sending in their passwords as well. Mahindra used these to get into the "impenetrable" web-server within a week of the challenge. The company was let down by the human factor.

The battle here is against the "unknown unknowns" as Donald Rumsfeld once described the problems of West Asia when he was US defense secretary. There are three clear areas of action: People safety, business continuity and data security. On the people safety front, the Indian hotel industry was the first to ramp up security to unprecedented levels following the November 2008 terrorist attacks on two luxury hotels and other high-profile locations in Mumbai. So did the retail sector. The business of both depends on large numbers of people floating in and out of their buildings every day.

Susan M. Cischke, Ford Motor's group Vice President for sustainability, environment and safety engineering and a member of CEO Alan Mulally's core team, shares the automaker's global perspective: "The financial crisis of 2008 taught us a few things. We also learnt to know our suppliers better...we came to know more about a supplier's operation than the supplier itself. This came in handy when the earthquake and tsunami hit Japan. Our operations have not been affected so far."

Indian companies, too, are aspiring for the level of preparedness that Cischke talks about. Chemplast Sanmar is now strengthening its global sourcing. It gets vinyl chloro monomer partly from Japan and the rest from the Arab world. Luckily for it, the suppliers in Japan were

DISASTER

The CEO is at a beach resort with no phone links when a tsunami hits

"The ability to anticipate events and prepare for them stems from maturity and learning. We are not there yet"
Venu Srinivasan, TVS Motor

not in the impact zone, else the first quarter of 2011 would have been bad for its revenues.

Hindustan Unilever Ltd, or HUL, has strict guidelines prohibiting not just its top management, but also other grades, from traveling together. Following its Anglo-Dutch parent Unilever, HUL now mandates that every employee must have two safety engagements every month to discuss safety, deal with something he finds unsafe on the way, and so on. In fact, as the *BT* team visited the HUL headquarters for this report, some members of the team it was scheduled to meet had to go for a meeting called by CEO Nitin Paranjape. The subject: safety. HUL's general manager for corporate realty, R.K. Mutreja, points out that all travellers have to log their details on a travel portal and the Unilever organisation tracks them and can organise evacuation in case of a crisis.

DISASTER
The entire board of directors is on a company jet when it goes off the radar screens

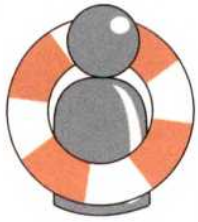
Safety and fire drills, including emergency evacuation, are now commonplace in many top companies. Siddarthan M., head of human resources and administration at HyperCITY Retail, says: "If you had asked us about disaster management five years back, we would not have had much to show." Today, the company also trains its employees to handle emergencies like earthquakes, terrorist strikes, floods and bomb threats.

At the Mahindra Group headquarters at Worli in Mumbai, drills are common. Xerxes P. Adrianwalla, a retired armoured corps brigadier who handles the group's security, says the group tries to mitigate all risks that have a high probability of occurrence as well as a high impact on business. "All our units have their own business continuity plans in place. We also have a host of service providers to whom we can outsource in case of an emergency," he says.

Godrej Industries, for example, has a business continuity plan in place for its factories. V. Swaminathan, Executive Vice President for Corporate Audit and Assurance, says: "Some of our plants are in a high earthquake zone. So if one of our hair dye plants in either Guwahati or Sikkim were to be affected, the other would act as a back up. We have identified third-party vendors who can turn around supply within a month and a half." Often such plans have to involve customers: Godrej has included safety escape chutes for the inhabitants of Planet Godrej, a premium realty project in South Mumbai.

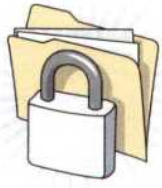
And companies are also ready to bring in specialists (see *The Troubleshooters* on Page 62)

PLANNING MANTRAS



PEOPLE SAFETY
- HUL tracks all travelling staff on a global basis for a quick rescue. Senior executives are forbidden from travelling together.
- At Mahindra Group headquarters, safety and fire drills are routine.

BUSINESS CONTINUITY
- Godrej has back up factories and third party suppliers in place even for a product like hair dyes.
- Getting to know your suppliers' operations better than they do is the key.



DATA SECURITY
- Infosys built a backup facility in Mauritius 10 years ago.
- Identify, protect and backup data that has long-term value and is hard to rebuild.

when they are in trouble. Dinesh Pillai, CEO of Mahindra SSG, recalls how a company once called them in after some people died in a chimney collapse at its factory. "We had to ensure rescue work and also take care to see that the angry workers did not turn violent," says Pillai.

Mauritius is best-known for being a paradise for sun worshippers. But, for Infosys Technologies, India's second largest software exporter, the island nation has a critical business significance. Nearly a decade ago, Infosys set up its own disaster recovery centre there. As Infosys expanded, so did its investment in Mauritius — to a $25 million campus that backs up all its critical data. "The key was to find a location that was connected yet geographically distant from our main operations, mainly in India, but also in other nations with substantial software development centres," says T.V. Mohandas Pai, a board member for Infosys, who was once its finance chief and now oversees administration.

Technology experts agree. Deepak Verma, a regional head at storage solutions firm EMC, says: "A company may want to go to one country or city, but its network services provider needs to be able to reach that location and also have its own failsafe mechanism." Sridhar Sarathy, a Vice President at Juniper Networks, which provides software and hardware to build networks, says that the key is to quickly identify data –such as customer records – that is required for long periods and data that has a short life span.

Talking of long periods, Singapore-based CordLife, a cord-blood bank that entered India in 2009, has to plan for 100 years. While customers pay a monthly storage rental only for the first four years, the samples have to be kept safe for an indefinite period to be couriered to customers whenever they require it, wherever they are. Cordlife chose Kolkata over Chennai, which is the same distance from Singapore, for the Indian facility, undaunted by Kolkata's reputation for *bandhs* and strikes. Simon Hoo, general manager, says Kolkata is safer from the point of tsunamis, floods and earthquakes. Cord blood and tissue, which can be used to recreate damaged organs among other things, are kept in a tank of liquid nitrogen. The facility has a score of guards, whose other job is to carry the heavy tank and take it outside the building in emergencies till a special team can pick it up.

Venu Srinivasan, chairman and managing director of TVS Motor, says India as a country is reactive and not proactive. Companies are not used to dealing with international crises, he says bluntly. "The ability to anticipate events and prepare for them stems from maturity and learning. We are not there yet," Srinivasan says.

So where are the holes? Data security and information technology are areas where India is doing well, given how advanced the IT industry is in India. Rahaju Pal, director of enterprise risk services at Deloitte, says: "Even for global multinationals operating in India, business continuity is not clearly thought out – especially what to do when key people are impacted."

KPMG's Arvind Mahajan says there are large

DISASTER
Your main data centre catches fire, and floods cripple your back-up location

RISKING A RATING

Rating agencies work in the realm of assumptions, hypothesis and theories, but there is one area in which they fear to tread. That is about challenging the statement that all risk (read non-financial ones) can be mitigated. "All risks cannot be mitigated," says the head of a domestic rating agency and then adds with scorn: "To say that a credit rating agency is equipped to handle disaster analysis is the height of all assumptions."

"This is actually the practical picture when it comes to looking out for disaster preparedness in a company," he says, on condition of anonymity. A rating agency's job is to give an opinion on a company's ability to make timely payment of interest and principal amount on a rated instrument especially debt. "Rating agencies look at the financials of the firm being rated," says Rajesh Mokashi, deputy managing director at Care Ltd, a rating agency. The agencies also look out for fire safety compliance certificates. But fires can still happen. Remember how terrorists attacked the 100-year-old Taj Mahal Hotel in Mumbai and started fires?

ANAND ADHIKARI

gaps, especially when it comes to interactions between the private sector and vital government agencies. He says the new generation of airports run by private operators require to put in place an efficient interface with government utilities and services. Power is another area where new processes have to be created, with a large number of private sector projects scheduled to go operational in three years.

Pal of Deloitte notes that it took regulatory prods for the financial services sector to beef up their IT systems and data recovery. ICICI Bank lost a huge number of customer paper records in the Mumbai floods of July 2005, and had to reach out to customers to rebuild the know-your-customer database made mandatory only in the last decade. The bank declined to comment for this story. The main stock and commodity exchanges also declined interviews, apart from stating that they have business continuity plans, even if the main building is destroyed.

DISASTER

Maoists kidnap the chairman and are demanding a ₹4 crore ransom

Mumbai-based HDFC Bank has its disaster recovery, or DR, centre in Bangalore, which is in a different seismic zone. In case of normal floods, it can switch all its branches over to the centre in 30 minutes. In case of a sudden outage, the DR centre takes control automatically; the main data centre is managed remotely. "We do a switchover run twice a year and run our bank from our DR for a day and then switch it back to the main data centre," says Anil Jaggia, chief information officer. "You cannot plan for loss of people in a disaster... So our DR has a skeletal staff, who can run the system if our main centre goes out suddenly."

Pillai of Mahindra SSG has a word of caution for companies that feel it is enough to get a risk and safety audit done by the audit department. "Audit, compliance and control will tell you whether the systems are in place, but are the systems working? Audits cannot tell you that," he says. For example, many companies have a 'call-tree' in which every employee is supposed to call up two others. But, no one had factored in the possibility of mobile phones not working, as happened during the 2005 flooding that led to a power failure.

Neville Dumasia, head of governance, risk and compliance at KPMG, says: "The biggest challenge relates to embedding risk thinking into an organisation's business decisions. Do you think about risk only during a downturn or is it factored in at all times?" Adds Axa's Dr Bery: "Companies are not aware what kind of services are available, especially for evacuating people. Also one must be aware that government agencies are often late in reaching a site of a disaster, and companies need to fend for themselves."

So may be former Intel CEO Andrew Grove was right to say: "Only the paranoid survive."◆

Additional reporting by T.V. Mahalingam Rajiv Bhuva and Somnath Dasgupta

(Top) An evacuation drill at HUL's new headquarters in Andheri. (Bottom) A fire drill at Mahindra Towers at Worli, Mumbai

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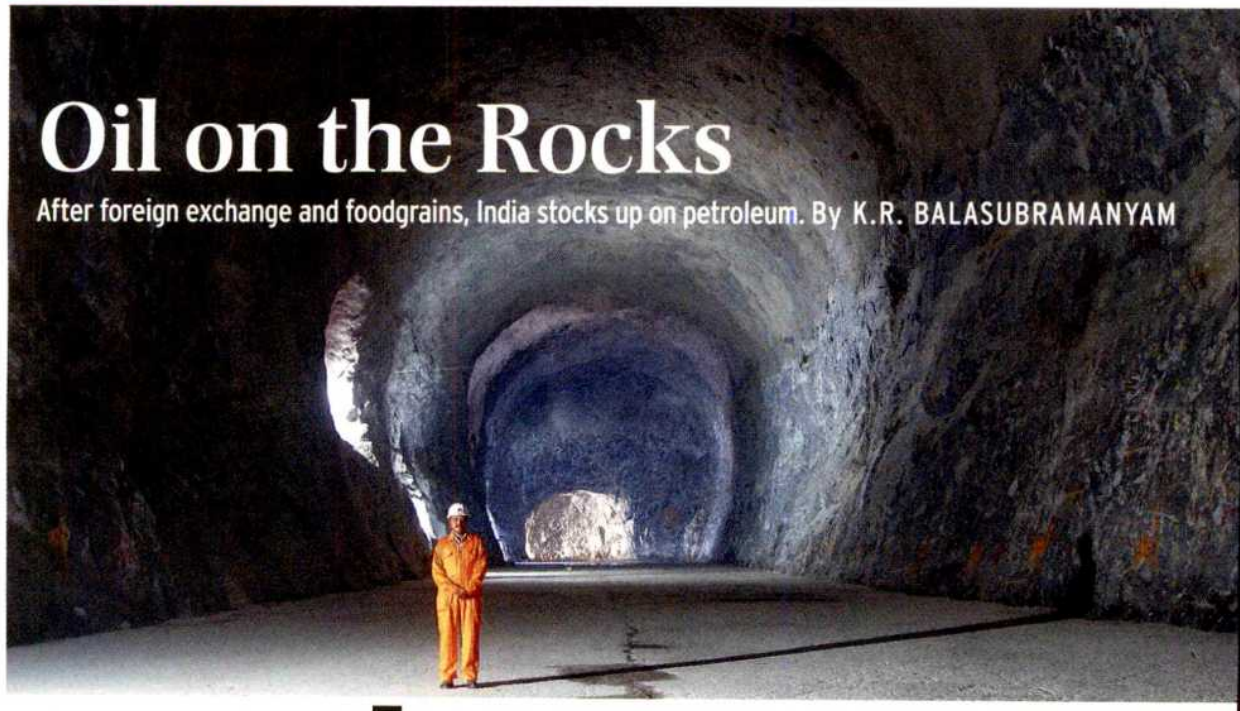
Oil on the Rocks

After foreign exchange and foodgrains, India stocks up on petroleum. By K.R. BALASUBRAMANYAM



Feat: *A manager with ISPR at India's first underground rock storage at Visakhapatnam before it was put to use*

In two years from now, coastal India will have three jewels buried deep underground. India Strategic Petroleum Reserves, or ISPR, a government company, is building three huge caverns beneath the earth that can hold 14 days worth of India's oil consumption.

The storage, carved out of underground rock at Mangalore and Udupi in Karnataka, and Visakhapatnam in Andhra Pradesh, will be buffers against short-term disruptions. India already has storage for 74 days of oil consumption.

DISASTER

The plant manager's car has been involved in a traffic accident and a mob could lynch him any moment

Imports account for three fourths of India's energy needs. The new facilities will have a combined capacity of 5.33 million tonnes (39 million barrels).

Rajan K Pillai, CEO of ISPR, says the three projects were to cost ₹2,397 crore, according to a September 2005 estimate. But the final bill could be ₹3,800 crore.

The first such rock cavern was built at Visakhapatnam in December 2007, by state-owned Hindustan Petroleum Corp and Total of France. "The new caverns have larger cross-sections than the one in Visakhapatnam," says Pillai. At the existing Visakhapatnam facility, the cavern roof is 162 metres below mean sea level. Keeping petroleum products underground has advantages – they are safe from external fires, sabotage, explosions, even earthquakes. "Caverns require very low maintenance. Beyond a certain capacity, the capital cost per tonne of storage is low," he adds.

Large consumers such as the United States, China and Japan maintain massive reserves, not only for strategic purposes, but to buy when there is a dip in prices and release when prices rally. ◆

THE NEW STRATEGIC RESERVES

Project	VISAKHAPATNAM CRUDE CAVERN
Storage capacity	1.33 million tonnes
Work started in	January 2008
To be commissioned in	January 2012
Project	**MANGALORE CRUDE CAVERN**
Storage capacity	1.50 million tonnes
Work started in	April 2009
To be completed in	June 2013
Project	**PADUR (UDIPI) CRUDE CAVERN**
Storage capacity	2.50 million tonnes
Work started in	May 2010
To be commissioned in	August 2013

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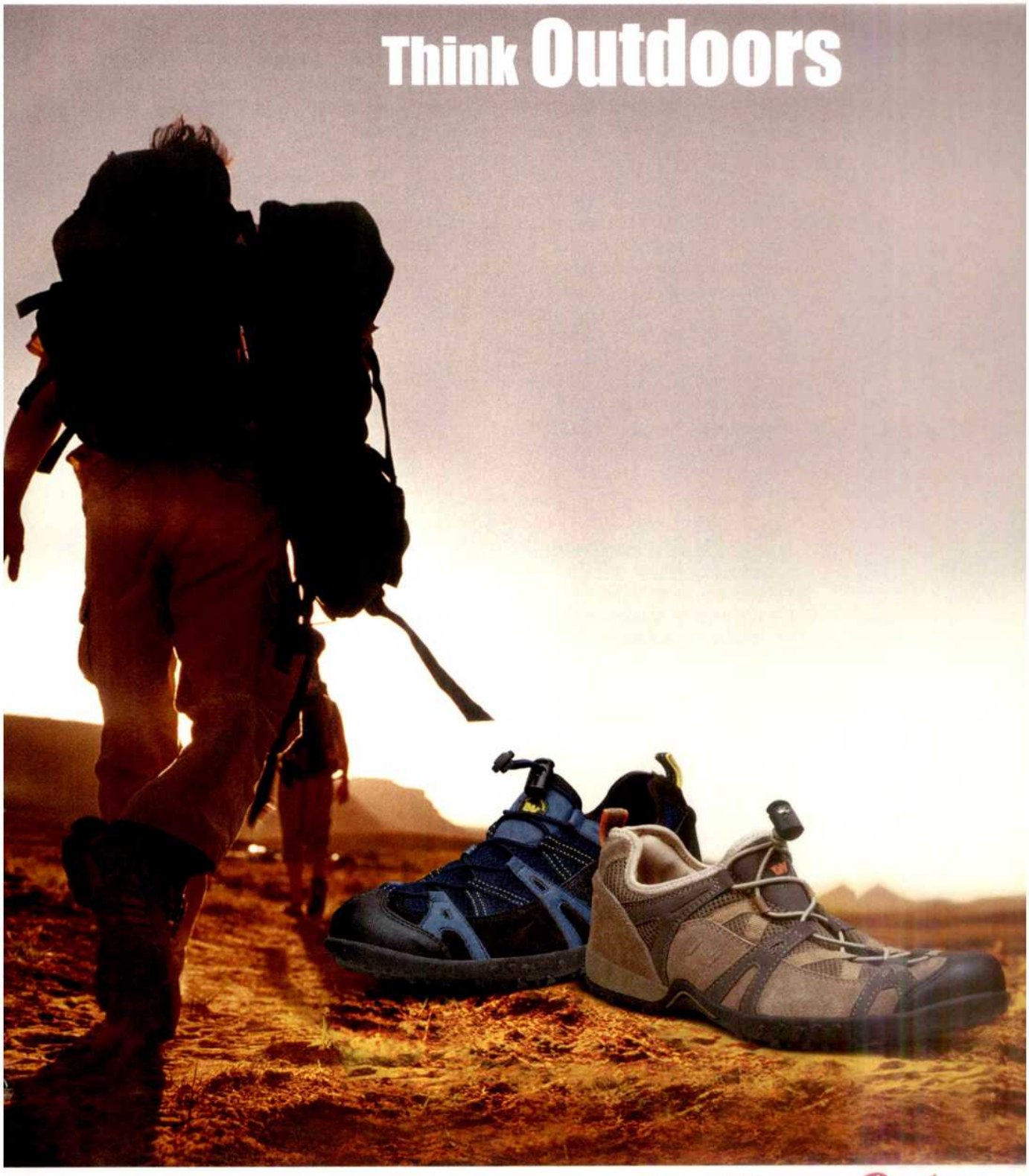

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The Force Be With You

The asset-light NDMA is spreading its training down to the village level. By MANU KAUSHIK

Flash: *Earthquake...Buildings have collapsed in Gurgaon office hub...roads have caved in....*
Reaction: *The National Disaster Management Authority sends two specially trained battalions in Air Force helicopters. The Gurgaon administration begins playing a well-rehearsed double role — of emergency services, relief and rescue.*

The bit about the Gurgaon administration has not been tested yet, but you can bet your last emergency light that in a few years from now state governments all over India will no longer look lost and call out the army every time there is a flood or fire somewhere. All courtesy the fledgling National Disaster Management Authority, or NDMA, which has been setting guidelines, training states and eyeing public-private partnerships.

For a billion people, the NDMA has only a National Disaster Response Force or NDRF of nine operational battalions adding up to 8,500 personnel from the paramilitary forces. The key: the Disaster Management Act of 2005 empowers it to rope in district level officials.

"We have already been tested and have done good work in the Karnataka, Andhra and Kosi floods"
J.K. Sinha, Member, NDMA

J.K. Sinha, a former head of the Central Reserve Police Force and now the seniormost member of the NDMA, says: "Each battalion covers two or three states and is trained in rescue operations." All are being equipped for nuclear, biological and chemical threats following the Fukushima crisis. Sinha is not worried about the NDRF's capabilities: "We have already been tested and have done good work in the Karnataka, Andhra and Kosi floods."

The NDMA has also sponsored a portal (www.cdrn.org.in) where suppliers can list relief materials for donation or sale. This cuts storage costs. "After the Leh floods, polythene sheets were useless as shelter in the cold," says Sinha. So he requested Tata Steel to pay for 500 tents made by a Kanpur firm. The Air Force transported them.

For now, the NDMA's battles are not with disasters, but with Indian duplicity and fellow bureaucrats. After the tsunami, the government had put out an advanced early warning system at sea. But fishermen have stolen the batteries for the sensors in most of the buoys.

India's disaster management was under the agriculture department since the days of British rule, since droughts were the worst that could happen in those days. The ministry of home affairs, or MHA, took over relatively recently. Now, the NDMA is fighting a battle of files with the MHA over the moribund civil defence mechanism, which the NDMA wants to revive with a PPP model. But civil defence is the MHA's turf. Sinha is digging in. So what if the NDMA still does not have its own control room. ◆

DISASTER

Pirates have boarded the container ship bringing a critical machinery consignment for your factory

AFP

Nature's Fury: A damaged yacht washed up onto a bridge 10 days after the massive earthquake and tsunami in Ishinomaki, Japan

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a firm believer
in the ability of youth
to lead change in Asia
Ronnie Screwvala
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The Troubleshooters

When the alarm bells go off, there's always a specialist you can call.

By K.R. BALASUBRAMANYAM and SUMAN LAYAK

In January 2009, Shalini Chakravorty, Country Manager of security and risk management consultant Hill & Associates, received an interesting case. A reputed developer had just completed a five-tower project in the heart of Mumbai. Multinationals, or MNCs, had expressed their interest in renting space there but few were ready to move in.

The MNCs just did not feel safe.

Chakravorty's team discovered that the potential tenants were not comfortable with the basic safety measures in place. They wanted strategies in place to pre-empt security lapses and an action plan to respond to a difficult situation. A team from Hill, a Hong Kong firm that has been involved in personnel safety evacuations from Sri Lanka to Indonesia, worked for three months to make the building occupation-ready. This involved installing equipment on the ground floor, training for security staff and a well-documented procedure on how to bring back matters to normal after an incident.

SAPTARSHI BISWAS/www.indiatodayimages.com

The lesson is clear: more and more companies in India are unwilling to overlook finer aspects of safety and security just to save on costs. "Many companies now have a separate vertical called security with a separate budget — it is no longer a part of human resources or administration," says Chakravorty. So much so that builders are integrating strategy and security aspects at the design stage of a building rather than retrofitting them later. "We may charge two to three per cent of the project cost, but we also save the builder from spending on unnecessary items," says the Hill country manager.

DISASTER

A vagrant shop floor worker has contaminated a medicine production line. The plant could lose its US FDA approval

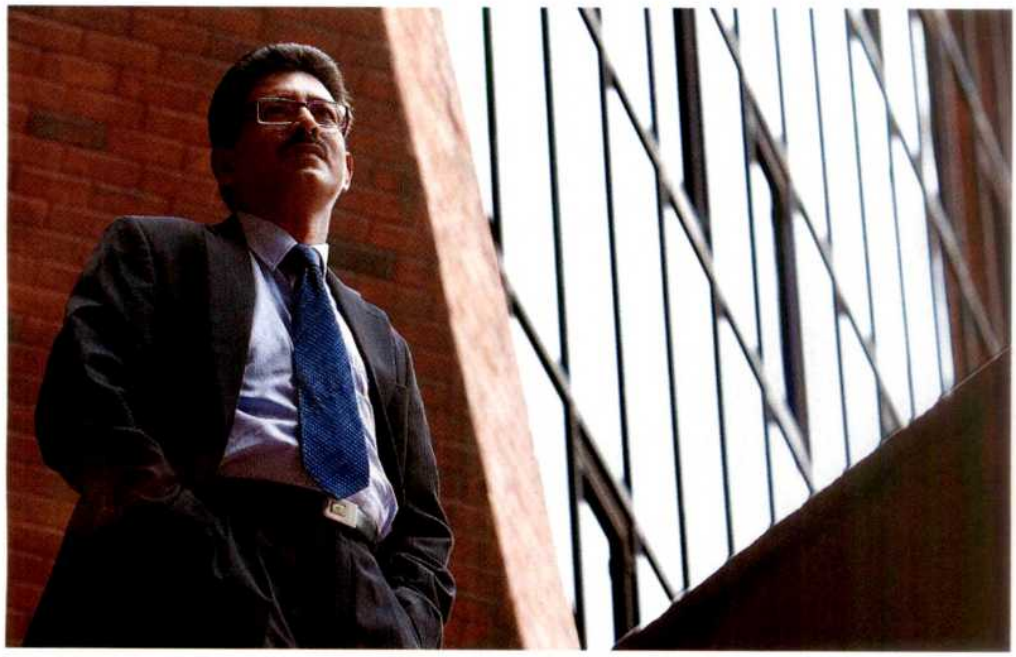
Such a level of preparation is exactly what Hindustan Unilever Ltd, or HUL, achieved when it built its new headquarters at Andheri, Mumbai, three years ago. It hired Sterling Engineering Consultancy for advice on making its building earthquake-proof. Spectral Consultants helped with fire safety and Mahindra Special Services Group advised on preparedness for events like floods and emergency evacuation.

Mahindra SSG, says CEO Dinesh Pillai, started with data security services and has moved into all areas of preparedness and intelligence. The company even seconds its people to client premises as it has done with HUL. A Mahindra SSG expert sits at the Andheri office advising the company on security, safety and disaster preparedness at the client's 40 sites across India.

The Indian subcontinent is prone to natural calamities like floods, cyclones, droughts, earthquakes and tsunamis. "As far as natural disasters are concerned, 25 out of 35 states and Union Territories or 271 districts in India are considered high risk areas. Fifty-six per cent of the land is vulnerable to earthquakes, 28 per cent to

"Many companies now have a separate vertical called security with a separate budget — it is no longer a part of human resources or administration"

Shalini Chakravorty, Country Manager, Hill & Associates



RACHIT GOSWAMI/www.indiatodayimages.com

"Our company started with data security services and moved into all areas of preparedness and intelligence"

Dinesh Pillai, CEO, Mahindra SSG

drought, 12 per cent to floods and eight per cent to cyclones," says Chakravorty of Hill.

Other specialists ranging from global names such as International SOS to Mumbai operator Topsline have opened shop too. Axa Assistance, an Axa Group company, offers services relating to security, concierge and medical assistance for corporate clients and customers of its insurance arm Bharti Axa in India. Axa Assistance's India Managing Director Dr Pradeep Bery also runs his own business, Meera Rescue, offering MNCs evacuation support in medical emergencies.

There are some with offerings ranging from the niche to post-disaster reconstruction (see *Providing Protection*). Tata BlueScope, a venture with an Australian steel maker, not only makes earthquake-proof building material but also supplies steel framed buildings as it did to Haiti after the earthquake there last year.

And, then there is Relief Supplier, a Delhi firm with roots in blanket-making, which can rush about 200 non-food items to the affected spot in a crisis, says Kunal Garg, its head of operations. It supplied 10,000 blankets and 20,000 tarpaulins as part of relief efforts in flood-hit districts of northern Karnataka two years ago. The supplies are routed through intermediaries like Corporate Disaster Resource Network.

Disaster management, it seems, is set to grow as a business as India readies to deal with the unknown. ◆

DISASTER

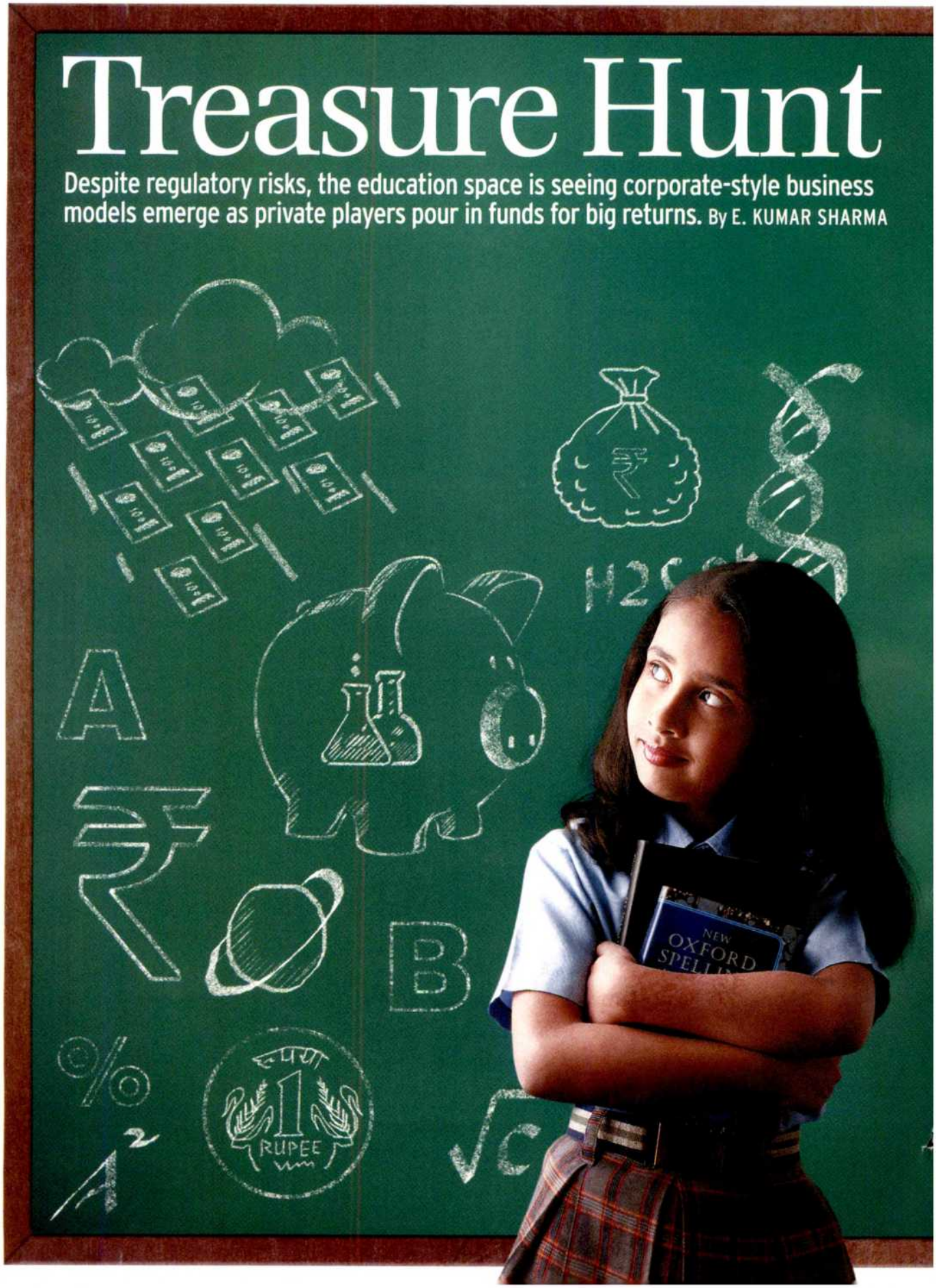
The hot-tempered CFO got into a fight with customs at Riyadh. It's two days and there is no news of him

PROVIDING PROTECTION

ORGANISATION	PRODUCT
Tata BlueScope	Shelter sheets
Medentech	Water purification tablets
Mount Kailash	Packaged drinking water
Vestergaard Frandsen (India)	Medicated mosquito nets
Tata BP Solar	Solar products
Amrit Sales Corporation	Tents and tarpaulins
Relief Supplier, Priyanka India, Tass Enterprises	Relief products
Track Manufacturing Co.	First aid kits

Treasure Hunt

Despite regulatory risks, the education space is seeing corporate-style business models emerge as private players pour in funds for big returns. By E. KUMAR SHARMA



- *In March this year, private equity fund Sequoia Capital India invested ₹25 crore in the Hyderabad-based K12 Techno Services which offers a range of services to schools.*
Earlier, in July last year, Sequoia, along with the Hyderabad-based SONG Investment Advisors, had pumped ₹75 crore into the same company.
- *Again in March, HDFC invested an undisclosed amount in Kaizen Private Equity, the country's first education-focused PE fund.*
In February, HDFC put another large, undisclosed amount into Career Launcher, which runs the Indus World School chain.
- *Also in February, Tree House, which runs a chain of nursery schools in Mumbai, filed IPO prospectus with SEBI to raise ₹150 crore.*
- *In January, publishing giant Pearson bought 59 per cent in TutorVista, which runs online coaching classes. Earlier, TutorVista was funded by Sequoia Capital, US-based VC firm Lightspeed Venture and private education heavyweight, the Manipal Group.*

DEEPAK G. PAWAR

"We want our school to become financially independent in seven years"

NOORAINE FAZAL, Managing Trustee and Co-Founder, Inventure Academy

There's money in teaching. This simple fact, long known to tuition teachers, proprietors of coaching classes, trusts that run private schools, and politicians who have set up private colleges, has finally dawned on the corporate world. All kinds of private players, led by venture capital, or VC, firms and private equity, or PE, funds are making a beeline for this sector.

"We are interested in the business of education. We want to replicate what we did in housing by looking at quality education at a comfortable price," says Renu Sud Karnad, Managing Director of Housing Development Finance Corporation, or HDFC. Explaining why it made sense for investors to look at this space, she says, "If you structure it in the right manner then it is possible to make a decent return. Not profiteering. Yet, also ensuring that the shareholder value is not reduced."

Stimulating corporate India's interest is also its belated discovery that unlike most sectors, education is recession-proof. "We have invested in health care and education and find both sectors recession-proof," says Vishal Vasishth, Managing Director, SONG Investment Advisors India. "Both these are underserved segments and there are big opportunities if one can get the pricing right."

The size of India's private education sector, including the coaching classes segment, is estimated at around $40 billion or ₹1.84 trillion (1 trillion equals 100,000 crore) already, with school education — the kindergarten to Class 12, or K12, segment — comprising half the amount, and higher education, including vocational education, the other half. It is now set to grow even bigger with the entry of corporate funding. Flush with money, the recipients are thinking big — planning not one or two new schools, but big chains with corporate-style management.

Career Launcher, which runs 14 schools in as many locations, is ambitious. "We want to grow into a 100-plus set-up," says R. Satya Narayanan, its Chairman. "This translates into a lot of front-loading of investments, so that we in turn can invest in research and development, technology, curriculum building, training and processes."

The ambition resonates elsewhere.

Over 140m
Children in govt-run primary schools

60-70m
Children in private primary schools

142m
Children who still do not go to school

10-15m
Children in govt-run secondary schools

25-30m
Children in private secondary schools

6m
College students (most colleges are private)

1m
Students in private vocational institutes

Over 75,000
Total no. of private schools

M. Venkatanarayana, Chairman, K12 Techno Services, aims to have 80 schools by the year-end, all of them in Andhra Pradesh. "By 2015, we are eyeing 500 schools across nine states. We shall start with the neighbouring states of Chhattisgarh and Orissa next year." K12 engages in teacher recruitment and training, developing course content, designing and implementing enterprise resource planning, marketing and admissions.

Venkatanarayana's focus on Andhra Pradesh is with a good reason — the state seems to be ahead on the maturity curve in education. "It is a typical example where the school and college tuition market has consolidated to just three or four major players, each having over 50 schools," says K.P. Balaraj, Managing Director, WestBridge Capital Partners. It is more fragmented in other markets with players having not more than 10 schools each.

The main stumbling block that held back private companies from investing in schools all these years was the stipulation that private schools must be run by not-for-profit trusts only. Also, some states do not allow educational institutions to transfer surpluses from one institution to another. As a result, corporates entering the space started the business as part of corporate social responsibility, or CSR, activities. Now, some are beginning to find another way. The rule about not-for-profit does not apply to service providers — companies like K12 Techno. Not surprisingly, then, as V. Ravishankar, Managing Director, Sequoia Capital India, notes, "There is increasing interest in the services model."

> "Our first school was conceptualised to grow into a 100 school set-up"
> R. SATYA NARAYANAN,
> (centre) Chairman, Career Launcher

Apart from K12 Techno, another big success in the services space is Educomp Solutions. Begun in 1994, it has, since 2008, been offering trusts that run schools total end-to-end services. It currently has a network of around 50 schools, and has set a target of 150 by 2015. Educomp also provides IT solutions to schools, where it claims to be the biggest player, reaching out to 26,000 schools and 15 million learners and educators globally. Yet another similar, successful endeavour is the Essel Group's Zee Learn, which acts as a consultant to local entrepreneurs who wish to setup schools under its brand name Kidzee and Mount Litera and provides education management and advisory services. Kidzee is India's No. 1 pre-school chain with more than 700 branches in 300 cities while Mount Litera has 65 K12 schools across 48 towns under its tutelage.

"Traditionally, services used to be coach-

ing classes, tutorials or providing technology such as smartboards," says Ramya Venkataraman, leader of consulting firm McKinsey's education practice in India. "It is now wider and includes school management, infrastructure and teacher training."

When a service provider runs a chain of schools, the organisational structure is often different from that of the traditional ones. "Elements of new business models would include structures and processes that allow for rapid scale-up," says Venkataraman. This, she says, could include creating a 'hub' school providing inputs to schools around it, standardising teaching and learning methods, and integrated services play within K12 segment.

The profile of people getting into school education is also changing. High fliers from the corporate world are choosing to opt out and set up schools. Consider Nooraine Fazal, a post graduate in management from Boston University who spent years working with IBM and Reuters. Fazal set up Inventure Academy in Bangalore in 2005, of which she is managing trustee and CEO. Her trust is a joint venture with Bangalore developer Prestige Group, and her board of advisors includes Mahesh Vyas, Managing Director and CEO, Centre for Monitoring Indian Economy, among other well-known people. Though still dependent on the Prestige Group for funds, she says: "Our goal was to become financially independent in seven years, and we intend to meet it."

Fazal, who is in the process of setting up two more — another in Bangalore and one in Coimbatore — knows that profits lie in services. She is starting a management company that will be scalable and provide curriculum, lesson plans, teaching methodology and institution design processes to schools.

The eligibility criterion for setting up private schools is not the only barrier to private sector investment in school education. The Right to Education Act, which was passed last year has emerged as a fresh threat. Several provisions of the Act have been challenged — there are currently 20 petitions pending in the Supreme Court — but the one that has caused most disquiet relates to the provision for compulsorily reserving 25 per cent seats in all schools for economically weaker sections. The Act says the state government will reimburse the tuition cost of these children — from whom the schools cannot charge fees — but in practice, educationists fear, the government will never pay up *(See "Most Private Colleges are Real Estate Rackets")*. The apex court has asked all states, schools and other stakeholders to share their views on the constitutional validity of the 25 per cent reservation before it announces its decision. "Future expansions will depend on the court order and what sort of notifications relating to school education the states pass," says Fazal. She worries there may be greater regulation in future, including a cap on fees that could make setting up and running quality schools unviable.

The uncertainty is holding back new investors. "There are a lot of regulatory risks in the education space that need to be watched. Much depends on the emerging product mix," says Subir Nag, Head,

A. PRABHAKAR RAO

"We are eyeing 500 schools by 2015 with a spread across nine states"

M. VENKATANARAYANA, Chairman, K12 Techno Services

₹1.8trn
India's education and training market

₹92,000cr
The Kindergarten to Class 12 segment

₹32,000cr
The private professional college market

₹23,000cr
The coaching classes, private tuitions market

Source: CLSA India Education Sector Outlook, 2008 and Industry.

Microfinance Helps Build Schools

The bulk of our microfinance clients are people from below the poverty line. Yet 95 per cent of them send their children to private schools," says Puli Kishore Kumar, Managing Director of Hyderabad-headquartered Trident Microfin. "We sensed a business opportunity in offering loans to local private promoters for setting up schools for these children."

Kumar evolved a business model and by 2009 began giving loans to build schools. The loan amount is usually around ₹3 lakh, but on occasions has gone up to ₹10 lakh, and has to be returned in five years. The criterion: the schools planned must be affordable with fees not more than ₹400 a month. "We targeted those who find it difficult to access formal credit," he says.

So far, Trident has financed 16 schools.

SHEKHAR GHOSH

Puli Kishore Kumar, Managing Director, Trident Microfin

Mezzanine Fund at ICICI Venture. He, however, feels that several factors together have led to the investor interest in this space. "First, the high profile Human Resource Development Minister Kapil Sibal, who has spoken of the need for changes in the system, has generated interest," he says. "Again, with the growing presence of expats and foreign-returned professionals in India, the world school concept is likely to have takers. And finally, the India growth story."

School and higher education in India are polar opposites in several respects. While majority of schools are government run, private bodies run around 80 per cent of higher education institutions. Many private players, funded by corporates, have entrenched themselves in this space such as the Manipal University, Amity University and the Indian Institute of Planning and Management. Regulatory worries among higher education providers are also somewhat different — they relate to recent proposals by the All India Council for Technical Education or the University Grants Commission which seem to them an attempt to micromanage in matters of curriculum and fee structure, even as fly-by-night operators, bent on subverting the system, get away unregulated.

But higher education in India is also expecting a fresh infusion of capital from an entirely new source — overseas. The Foreign Institutions Bill, already cleared by a Cabinet committee, but still to be introduced in Parliament, is widely expected to get legislative assent this year. This will open the doors to foreign universities seeking to set up base in India. At present, foreign universities cannot offer degree courses in India. They can only do so jointly with Indian universities.

"I expect infrastructure players to add higher education as another vertical in the next five years," says WestBridge Capital's Balaraj. One leading infrastructure group has already made a beginning. In April last year, the GMR Group and the Schulich School of Business in Ontario, Canada, tied up to develop a campus in Hyderabad — Schulich will handle the academic operations while GMR will develop the campus. A host of other interested universities, mostly from the United States, Britain and Australia, are waiting anxiously for the Bill to be passed.

For children and parents, still, it is the quality and reputation of institutions that matter most. Which is why every city has its handful of iconic schools, and there is such a mad rush for admissions into those few schools every academic year. "Parents look for reputation, overall results, consistency in performance and, of course, value for money," says Gita Karan, founder of Gitanjali School in Hyderabad. The message is clear: no matter what the input sources or resources are, it is the output that matters. ◆

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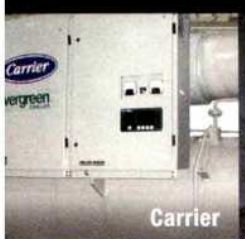

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"Most Private Engineering Colleges are Real Estate Rackets"

V. Raghunathan, *a former professor of finance, Indian Institute of Management, Ahmedabad, who currently heads a corporate foundation involved in social work and inclusive education, discusses the problems of the Right to Education Act and on the regulatory issues in higher education, with* **E. Kumar Sharma.**

For full text of interview go to www.businesstoday.in/edu

The hurdles in implementing the Right to Education Act: The Act says every child between six and 14 years should have the right to "free and compulsory education in a neighbourhood school". It calls for local bodies to set up the requisite number of schools within three years. Given our birth rate, we add nearly 20 million babies every year. This calls for 60,000 new schools every year.

Why private schools are complaining: The definition of 'school' in the Act includes unaided schools that receive no government aid. Such schools also have to reserve seats for eligible underprivileged children and their fees are to be reimbursed by state governments. In Andhra Pradesh, we already have a scheme where the state pays the fees for students below the poverty line in engineering colleges. This amount runs into thousands of crores, and the state has no funds to pay.

Possible solutions: States could seek bids from CSR arms of the private sector or reputed NGOs to take over government schools, with committed capital expenditure and underwriting of operational expenses. These parties could be allowed full management control in return for free education to 40 per cent of those enrolled. The paying students could subsidise the non-paying students. The number of rural schools can be increased by insisting that for every urban school a private party sets up, it should have to start two rural schools as well of the same capacity.

The regulation of higher education: Our regulatory system in higher education leaves much to be desired. The real issue is not whether we replace the All India Council for Technical Education or the University Grants Commission with another umbrella body. Merely naming a new commission is unlikely to address the systemic flaws.

Why private engineering colleges are mushrooming: Private engineering colleges have mushroomed because they have been allowed to mushroom. Most such institutions are in fact real-estate rackets in the guise of educational institutions. A large majority of them are controlled by politicians and builders.

The way out: Institutions like the AICTE and UGC must have eminent public figures from all walks of life on governing bodies. There could even be an academic Ombudsman to whom institutions that feel they have been wronged, can appeal.

Given our birth rate, we add nearly 20 million babies every year. This calls for 60,000 new schools every year

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matters to us.
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even more.**

Dr. Tilla Haubold
Project Manager
Corporate Research

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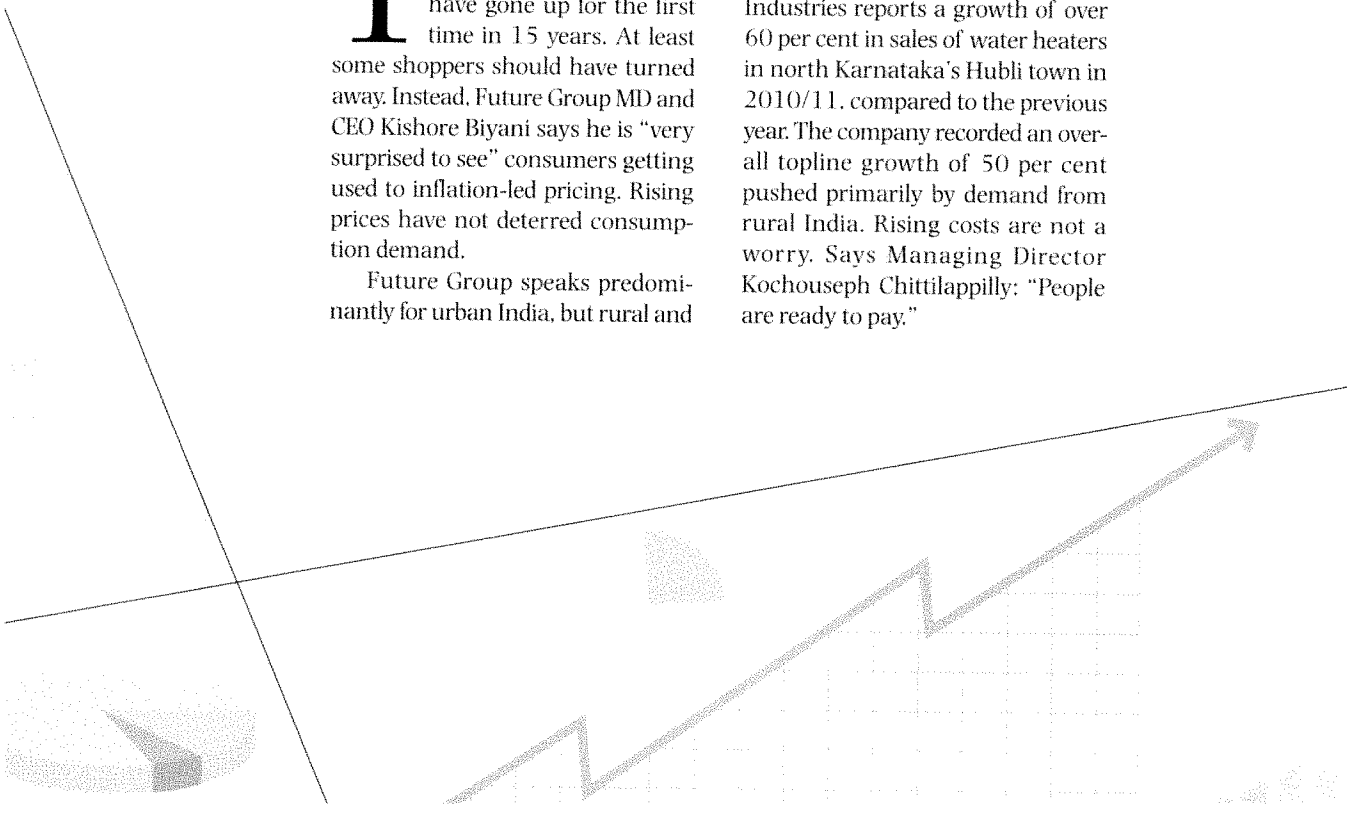
Why Business Loves Inflation

The first *BT-C fore* Business Confidence Survey shows rapidly rising prices are not a big worry because consumption demand remains strong. By PUJA MEHRA

The prices of clothes sold at Future Group's retail stores have gone up for the first time in 15 years. At least some shoppers should have turned away. Instead, Future Group MD and CEO Kishore Biyani says he is "very surprised to see" consumers getting used to inflation-led pricing. Rising prices have not deterred consumption demand.

Future Group speaks predominantly for urban India, but rural and small town demand is also buoyant. For instance, Kochi-based V-Guard Industries reports a growth of over 60 per cent in sales of water heaters in north Karnataka's Hubli town in 2010/11, compared to the previous year. The company recorded an overall topline growth of 50 per cent pushed primarily by demand from rural India. Rising costs are not a worry. Says Managing Director Kochouseph Chittilappilly: "People are ready to pay."



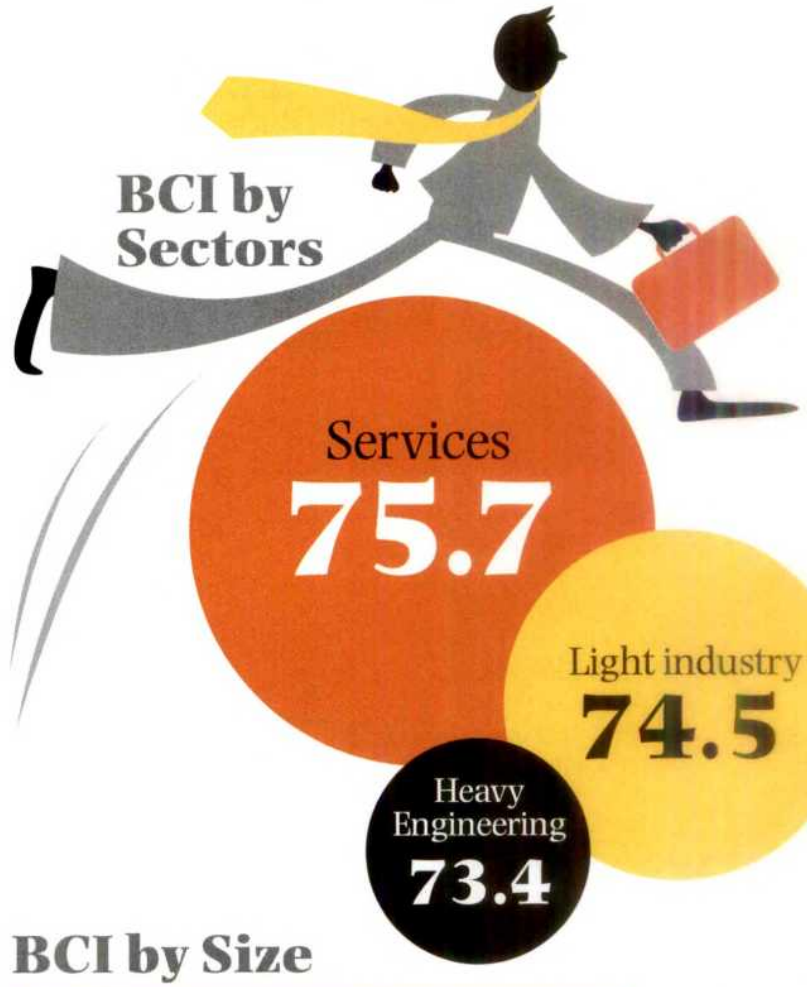
This optimism is reflected in the first-ever survey of business confidence commissioned by *Business Today*, which will be a quarterly feature. The *BT-C fore* business confidence index on a scale of 100, conducted in early March just before the shock waves sent by the quake-cum-tsunami in Japan, is 74.8. That means respondents expect business to be moderately better in the next six months. They were polled on the present business climate as well as on future expectations. More than 75 per cent of the 500 CEOs/CFOs polled by market research firm *C fore* said they expect profits to be either substantially or moderately better.

More than half the executives polled expressed confidence that they would be able to increase sales even if prices continue to rise.

Economists and analysts have expressed fears that, as persistently high inflation gets generalised in the economy and spreads from food and fuels to manufactured products through higher input costs, there would be a squeeze on corporate profits and gross domestic product, or GDP, growth would be affected. But companies such as Future Group, V-Guard and many others have been able to pass on the rising

Overall Business Confidence Index (BCI)

74.8



BCI by Size

(Business confidence index on a scale of 100)

GRAPHICS & ILLUSTRATIONS BY SANTOSH

"When demand is strong, industry loves inflation. That is the chance to hike prices"

R. Seshasayee, Executive Vice Chairman, Ashok Leyland

costs without losing sales or profits. Input costs inflation is not a profit spoiler yet. Companies in fact hope to leverage inflation to enhance their pricing power.

How so? Unable to absorb rising input costs, companies mark up prices. But when they find consumer appetite intact they can continue to mark up prices even after inflation eases.

So, while food prices will correct if the inflation rate drops, Biyani does not expect prices of other manufactured goods to fall, "thereby ensuring higher profit margins". "When demand is strong, industry loves inflation," says R. Seshasayee, Executive Vice Chairman, Ashok Leyland. "That is the chance to hike prices."

The pricing power that the strong consumption demand has handed to Indian industry seems to have, in turn, made it upbeat about business prospects, as reflected in the survey.

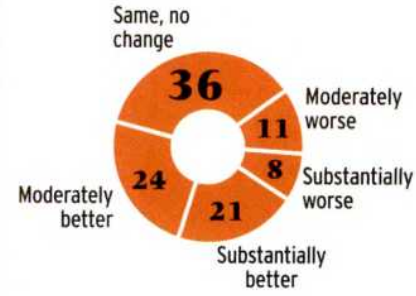
Other pessimism-defying findings of the survey are: companies expect export demand to

Now and the Past

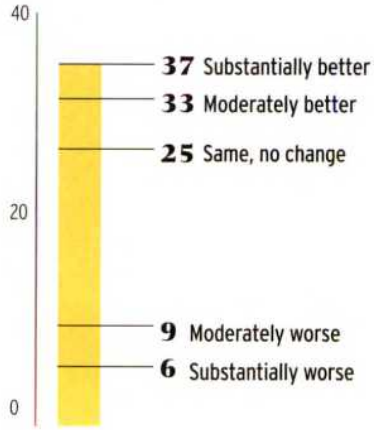
Business confidence compared to six months ago

Overall Economy

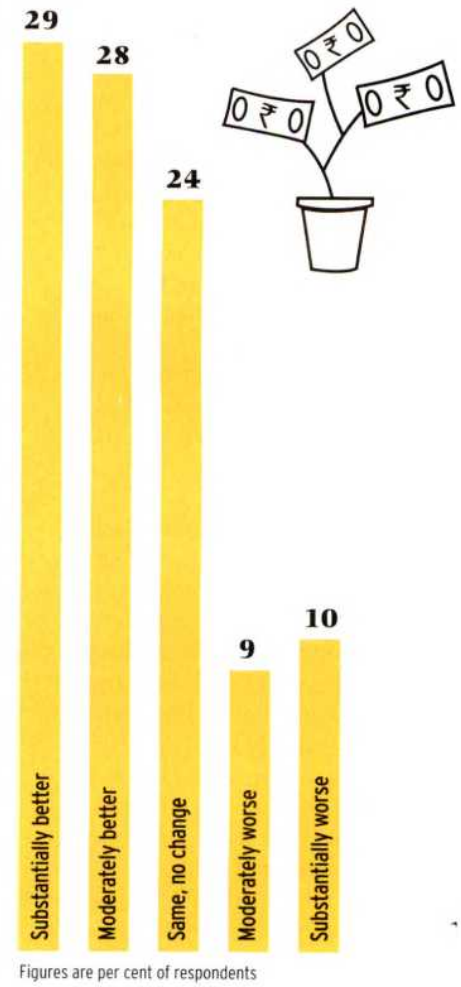
Hiring Conditions



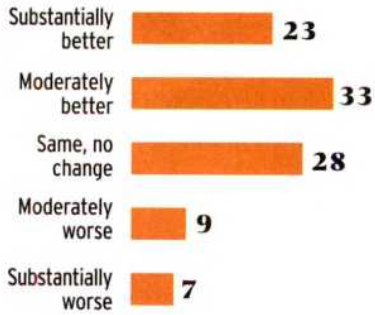
Availability of Business Finance



Profit Margins



Demand

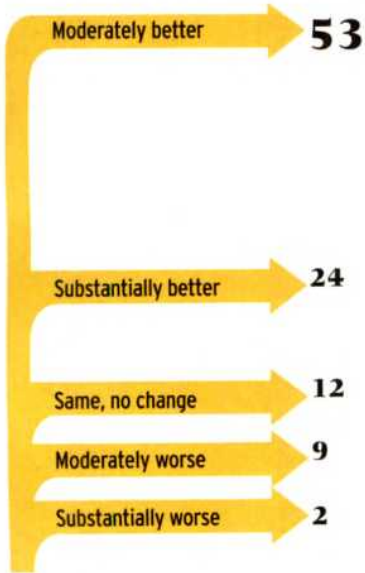


Figures are per cent of respondents

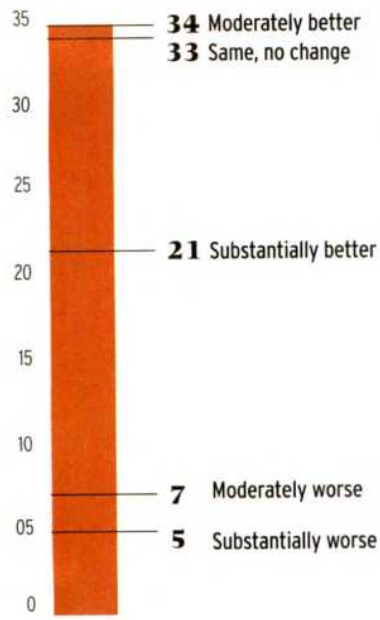
Around the Corner - I

The shape of finances and order books six months ahead versus the six months gone by

Business Situation Overall



Company Finances



Availability of Finance

48% Same, no change

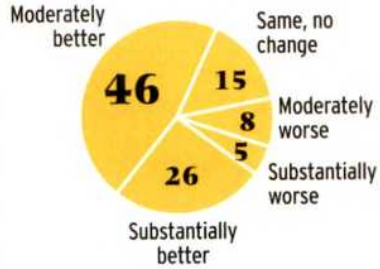
30% Moderately better

11% Substantially better

7% Moderately worse

4% Substantially worse

Production Levels



Order Book

Figures are per cent of respondents

"The demand in the domestic as well as international market across urban, semi-rural and rural sectors is what is boosting the confidence index"

Swati Piramal, Director, Piramal Healthcare

continue to improve, and that hiring is picking up and is also expected to improve. The *BT-C fore* survey, however, also captures some worries over rising interest rates and possible inflation in raw material costs in the next six months. "The survey adds to the body of evidence that shows strong consumer demand," says DBS Bank economist Ramya Suryanarayanan. She warns that the biggest worry ahead will be on account of supply-side constraints.

T. Sreedhar, Managing Director of TMI Network, a Hyderabad hiring company, points to governments, both Union and state, readying for 2014 elections. "They will need to make massive investments this year... to derive value in terms of votes in 24 to 36 months from now, which is usually when most major projects take to complete," he insists.

The findings come ahead of the announcements of financial results by listed companies for the January-March 2011 quarter. The general expectation from

"In spite of scams... India remains a strong economy because there is so much of unmet demand in tier III towns"

Kochouseph Chittilappilly, MD, V-Guard Industries

the results is that net profits of companies will see an erosion owing to high input costs, even as most of them post double-digit growth in aggregate for the sixth consecutive quarter. Prices of base metals such as aluminium, copper, zinc, and lead are up between 22 and 44 per cent compared to a year ago.

Thus some analysts feel the survey findings are "a tad optimistic", as Rajiv Kumar, Director General of the Federation of Indian Chambers of Commerce and Industry, puts it, more so because companies cannot exercise pricing power in competitive markets.

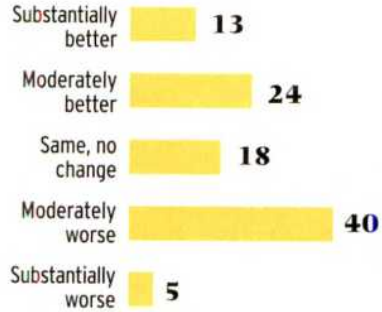
Economists such as DBS Bank's Suryanarayanan also worry that the macro-economic environment continues to remain stressed. "A major difference between the periods 2004 to 2011, and 1998 to 2004 (run by two different governments) is the global challenge of high and rising global food and non-food commodity prices and erratic weather," she says.

The corporate sector's opti-

Around the Corner - II

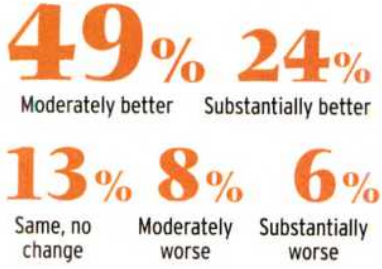
The outlook for sales, costs and investments six months ahead versus the previous six months

Cost of Raw Materials

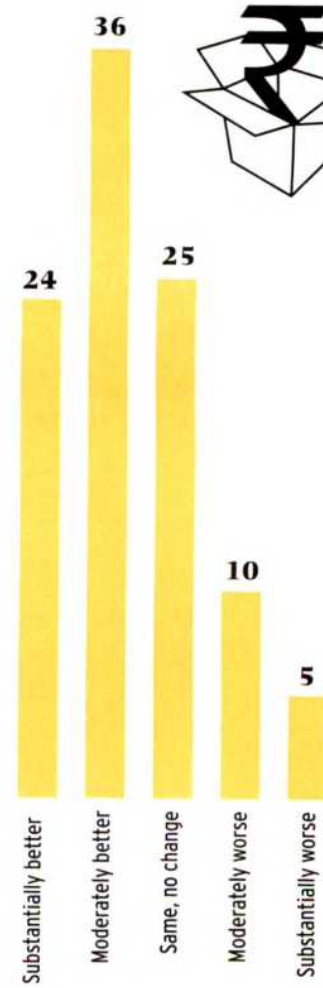


Sales Pick-up

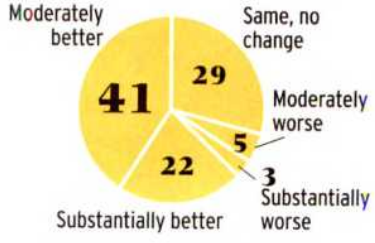
Inventory of Finished Goods



Exports Pick-up



Investments in Business

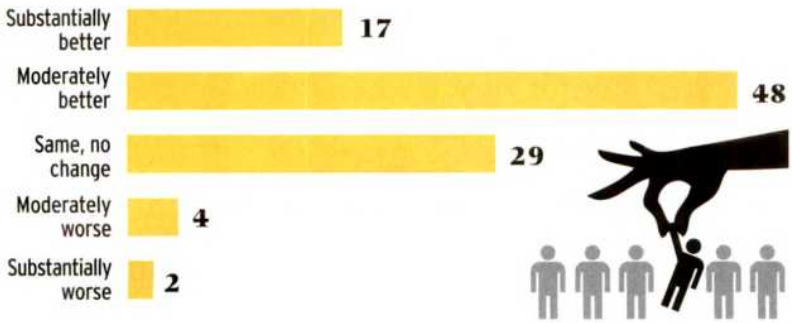


Figures are per cent of respondents

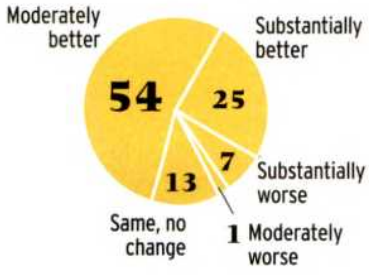
Around the Corner - III

How hiring, profits and share prices will play out in the next six months compared to the past six months

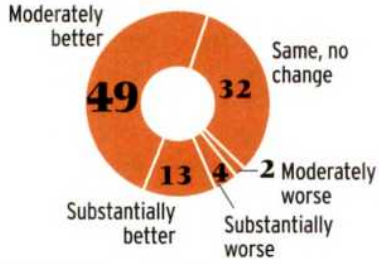
Hiring



Profits



Stock Prices



Figures are per cent of respondents

mism is based on huge unmet demand, especially in new markets beyond the big cities. The demand-supply mismatch allows for comfortable margins.

More and more companies are looking outside the metros. "The ₹3 lakh crore a year the Centre is pumping into developing rural markets and infrastructure is a boost," says V.N. Dhoot, Chairman of Videocon Group.

Companies that are able to squeeze out more from every rupee spent cope better. The *BT-Cfore* survey did not question companies on productivity but there is anecdotal evidence to show this. Himalaya Drug Company, a herbal products maker, has seen prices of ingredients it uses rise. Turmeric extract, for example, costs 48 per cent more than last year. Similarly, the price of ginger oil has gone up by 46 per cent. But Himalaya is coping well.

"We are trying methods like better vendor control, better inventory management, etc., to contain costs," says Ravi Prasad, Chairman, Himalaya. ◆

ADDITIONAL REPORTING BY N. MADHAVAN, E. KUMAR SHARMA, K.R. BALASUBRAMANYAM AND ANAMIKA BUTALIA

METHODOLOGY

Market research agency *Cfore* sought responses to 27 questions from 500 CEOs/CFOs over the first 10 days of March, just after the Union Budget was tabled in Parliament. The average confidence level was calculated on a five-point scale which was further normalised on a 100-point scale. The survey was conducted in Delhi, Mumbai, Chennai, Hyderabad, Bangalore, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Visakhapatnam and Bhubaneswar. The companies are categorised as big, medium, small and micro based on their turnover. The sector-wise classification is as follows:

Heavy Engineering	Light industry	Services
Chemical and chemical products	Food products	Hotels and tourism
Rubber, plastic, petroleum and coal products	Beverages, tobacco and other related products	Transportation
Non-metallic mineral products	Products of wool, jute, rubber, silk, leather and fur	Consultancy services
Basic metals and alloys	Cotton textiles	Communication
Metal products	Textile and apparel	Financial services
Machinery and equipment	Wood and wood products	Business services
Transport equipment and parts	Furniture and fixtures	Real estate
Mining	Paper, paper products and printing	IT/software/BPO
Auto and auto components	Publishing and allied industries	Media and related

DANGER AHEAD

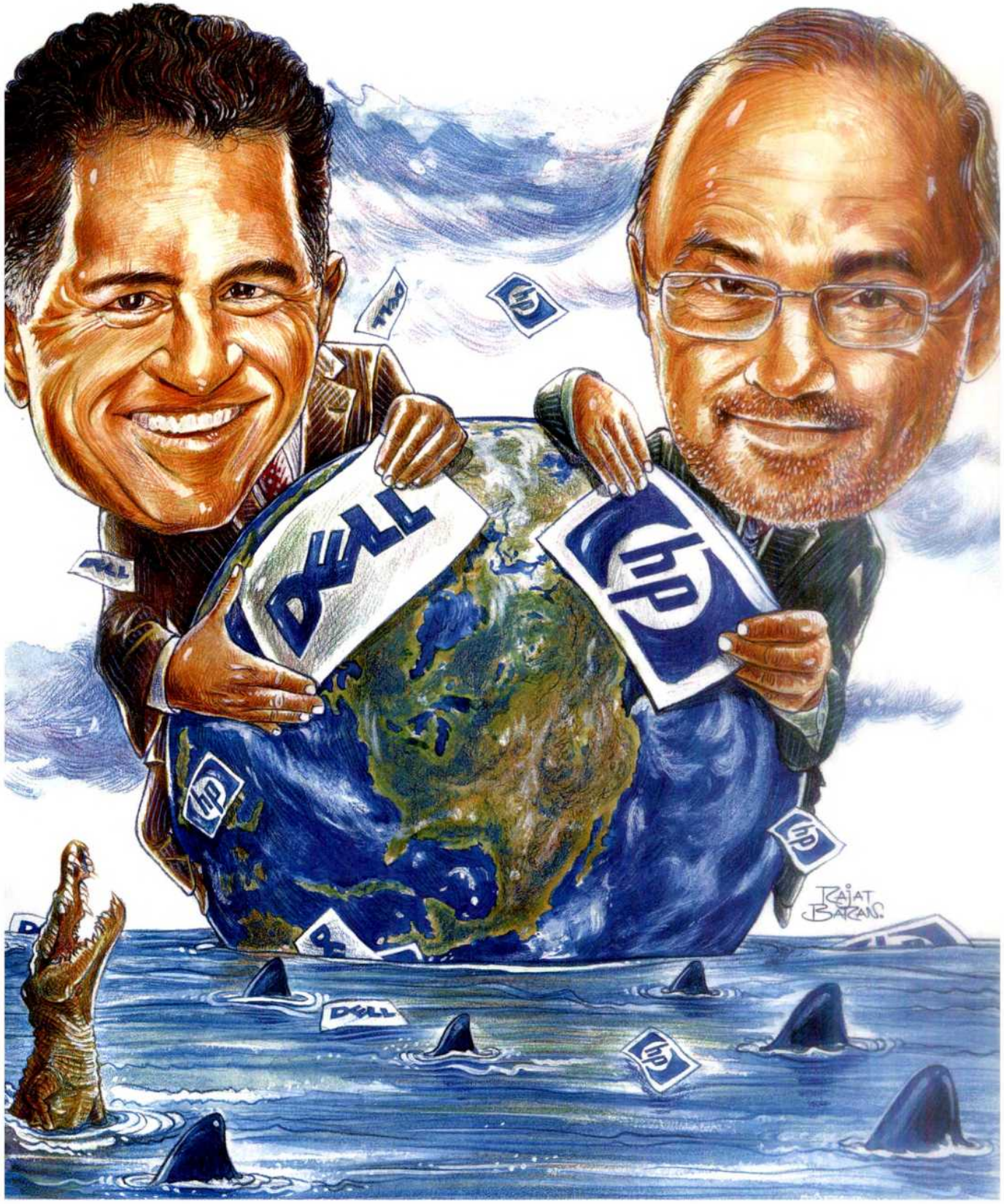
Leo Apotheker and Michael Dell are re-inventing their companies to stay relevant but it is a tough ask. By RAHUL SACHITANAND and KUSHAN MITRA

Two acquisitions, one made by former Chief Executive Mark Hurd in April last year and the second by its new leader Leo Apotheker in February have become the cornerstones of Hewlett-Packard's strategy to hold on to its position as one of technology's top dogs. The Palo Alto, California headquartered tech giant is not alone at transformation. Some 1,730 miles away, in the small town of Round Rock, Texas, Michael Dell, founder of the services-to-servers firm that bears his name, is in the midst of his own overhaul, building and buying his way into the cloud computing market, strengthening his services portfolio and belatedly entering the consumer electronics business with tablet PCs and smartphones.

Both firms, HP top of the pile with over $125 billion in revenues, and Dell, a company that started with just PCs, are fighting a similar battle. Both have been upstaged in recent months by the rapid rise of Apple, which first captured a large share in an image-conscious consumer market (think iPhone), but has increasingly made inroads into the lucrative enterprise space (think iPad). Apple's rise has caught both HP and Dell flat-footed, and now both are scrambling to make up for lost time. Early April, Apple's market cap was more than two and half times that of HP and Dell combined.

"Apple has done really well," agrees Dell, in a late-March interview. But "we're big fans of Android and it is fascinating to see how it (phones based on this mobile operating system) is outselling the iPhone, which was unthinkable a year ago." (See *"Dell today is a very different company from Dell five years ago"* on page 81.)

HP's response has been to buy ailing mobile devices company Palm, primarily for the target's WebOS, an operating system that Palm was developing for its smartphone range. This $1.2 billion acquisition will power all of HP's latest mobile devices, from its iPad competitor, the TouchPad, to those embedded via the


DELL
hp
RAJAT BARAN

"We can jump immediately into the forefront of technology"

LEO APOTHEKER

INTERVIEW

HP intends to move into the cloud without giving up on its existing businesses. We are not jettisoning the other stuff, we are building on the assets we have. We will offer all of the cloud services. Not just infrastructure, not just platform, not just SaaS (software as a service): all of it. The open marketplace will service in its own right both the consumer and the enterprise. And last but not least, we will layer in the connectivity and provide a secure, managed environment.

For full text of interview go to www.businesstoday.in/hp

TCS, Infosys, Cognizant, Wipro are partners as well. We work together for the benefit of our mutual customers and we do this really, really well. But we compete on service provisioning, technology services, sometimes in the cloud. Sometimes you're partners and sometimes you compete, what is astonishing about that?

We can jump immediately into the forefront of technology, which we have with Vertica. We do not have a legacy to protect. We have managed to deliver a product in record time. We are making sure that we deliver technologies quicker and faster to customers. We have in HP a few thousand people who are really good at analytics, which we can combine with Vertica by offering analytics as a service.

The world is very hungry to have an alternative to the established operating systems. We can create an immense platform with WebOS, we are attracting developers and our latest development toolkit has received an enthusiastic response from developers.

You don't need all of the developers. In the applications world, it is the 80-20 rule. If you have 300,000 apps, do you use 300,000 apps? Of course, you don't. We will have many apps and many relevant apps and many enterprise apps as well.

HP is still the world's largest PC maker. We are able to still convince a few people to use our PCs (laughs) and the same is true of the printing business.

browser on tens of millions of desktops and laptops that the company still sells, and even on its printers. Dell, on the other hand, isn't shaking the market at its foundations with its plans. "We have the Streak and soon the Honeycomb (based on Android) for the consumer market," says Dell. "However, in overall spend, this market is a relatively small portion" of the overall computing products and services market.

Few analysts feel that HP is in any sort of financial trouble, but with the increasing commoditisation of hardware, other than the top-end of the market where everyone is trying to play catch-up with Apple, there is a feeling that HP needs to change fast. In an area outside the main ballrooms at the Hyatt Union Square in San Francisco, mid-March, HP was showcasing its future, from Palm devices running WebOS to the TouchPad. HP technologists were going out of their way to convince all comers — analysts, investors and mediapersons — that the tablet would trounce the iPad. However, half the crowd was using iPads themselves. The problem for HP is convincing application developers to get on board the WebOS train, evidently.

The 46-year-old Dell, instead, is betting his house on re-inventing his firm, once labelled a PC maker, into a complete technology solutions firm, with none of the legacy of its older rivals such as HP and IBM. As part of the transformation, he has followed up the purchase of Perot Systems in 2009 with the acquisition of InSite One in December last year, to strengthen his position as a tech vendor for healthcare clients. "To be relevant to our customers, we had to figure out what they wanted to accomplish beyond (buying) our shiny boxes," says Dell. So, he is trying to push them to pay for higher-value services and solutions from his firm. "We are making huge progress... it is a $1.8 trillion market and Dell is a $61.5 billion company," he says.

A key technology transition that both companies are trying to desperately hang onto is the rapid rise of cloud computing. Technology analysts Gartner predict this market will be worth nearly $150 billion by 2014. These kind of numbers clearly have HP and Dell riveted. Apotheker, for one, is moving beyond the WebOS plank to the new 'Cloud' strategy he announced in San Francisco. This February, HP acquired Vertica, a real-time analysis provider, which he believes will help the company get a leg-up over the competition with its ability to provide everything from hardware to software and network security solutions. "In less than a month we have developed a solution that showcases the power of Vertica's solutions along with our hardware," he told an assembled audience, going on to display how the solution allows businesses to mine huge data banks in real time. And, as his Chief Technology Officer Shane Robinson adds, the cloud for HP does not mean just one thing because "HP covers everything, like no other information technology company does, from devices, the hardware providing the content to those devices, to services for companies providing that content and even security solutions".

Dell is not standing by and letting HP take over the market. He has been on a M&A binge of his own, buying eight companies in the past 12 months alone. "Dell today is a very different company from four or five years ago," he says. "Two thirds of our margin comes from the non-PC business." So rather than look at the broad cloud computing market, Dell is focusing on key technology trends and buying companies that help ride this wave (Compellant in data tiering, for example) or add niche technology offerings to its portfolio (like Boomi to strengthen its software as a service, or SaaS, offerings).

Dell thinks all his moves will pay off in the long term. Already, the benefits are visible. "We had record

"Dell today is a very different company than Dell five years ago"
MICHAEL DELL

INTERVIEW

There's a bit of cloud washing going on — everyone wants to have cloud. Cloud computing is at an embryonic stage and one should be cautious on what we talk about. There's clearly value that can happen, but not everything is cloud.

For full text of interview go to www.businesstoday.in/dell

Data centres are a big focus area. We sold 15 million servers in the past decade, which is a nice place to start. We have been building on that in storage and networking with a number of new capabilities with our EqualLogic and Compellent deals.

Dell today is a very different company than Dell five years ago. Two-thirds of our margins and profits come from the non-PC business. There has been a shift to servers, stage, networked services. Storage is a great example. We have a 50 per cent share in iSCSI (Internet small computer system interface) storage, which is the fastest growing part of enterprise storage. We acquired a firm that leads in data tiering. We will build or acquire these companies. For example, we acquired a firm called KACE, which provides system management tools. Today, that unit is four times its size when we bought it in February 2010.

We don't have a legacy to protect in services. Unlike our rivals who have mainframe and Unix, we are open, capable and affordable. This means we look for inflection points that create value for customers, like virtualisation and cloud computing and other ingredient technology that makes it easy to adopt innovations such as iSCSI and data duplication.

Our customers wanted to go beyond shiny boxes, to services and solutions. We would show up at a customer and say, "Hey, we have this new box...." The customer would say, "I really don't care. I want a new ERP system. I want to make my supply chain work better. If you don't know about that then don't talk to me." (To address) this demands a lot more vertical expertise.

EPS and increasing margins all year, with our highest EPS ever in Q4; gross margins were highest in 10 years and we had $1.5 billion in cash flow... ," he boasts, referring to earnings per share and the fourth quarter. Dell has sold some 15 million servers since it got into the business and is now adding systems management tools to entice more companies to buy its products and services. He points to KACE, a company Dell acquired a year ago, which provides a plug-in box for servers, which according to him can sort through and manage all devices on a network in 15 minutes.

HP, meanwhile, is trying to extend the reach of WebOS to new segments. Vyomesh Joshi, Executive Vice-President, Imaging and Printing Division, HP, and an HP veteran is excited about WebOS because of the possibilities it represents in printers. "Imagine, you can store a document anywhere on the Internet and print it from any printer that runs WebOS, because that is what will happen. All but the cheapest printers will have a smart operating system in the future, and that will represent a major opportunity for developers, to develop applications across different product categories — PCs, mobiles, tablets, printers and scanners." Even Apotheker believes that it is not the 'quantity' but the 'quality' of applications that determines success in any marketplace. "A system might have hundreds of thousands of apps, but most users will stick to a few hundred and we will get those important apps onto the WebOS platform," he says.

Despite all this wide-angle talk, both firms are also busy on the ground trying to find the best way to sustain growth. Dell, for one, has tweaked its business to now operate into four units — public-large enterprise, services, and consumer and small and medium business units and the firm seems to be benefitting from this reorganisation. "We want to be more vertically focused (on specific industries rather than technology)," Dell says.

As HP and Dell continue to search for new avenues to drive growth, it is hard to avoid questions around India's role in their larger plans. And, both firms are engaged in a fight for top spot in the Indian PC market, separated by around 0.5 per cent in the last quarter (Dell briefly overtook HP, only for the latter to regain the lead), even as they square off for a greater share of the market for technology services.

Dell had crossed a billion dollars in revenue a couple of years ago and is targeting $2 billion soon, says its chairman. He believes it has made some inroads into this market. For instance, the deal with Max Healthcare, where it combined its legacy business of PCs with its newer services unit to completely take over the hospital chain's IT operations.

HP has had some issues integrating EDS, of which Bangalore-headquartered MphasiS is part. But with its dominance of hardware, it has run into a situation of 'co-opetition', something that Apotheker, CEO of business software firm SAP until February 2010, says is very common in the industry. Still, with HP putting an increased focus on aspects such as real-time analytics, its partners are unlikely to be very happy, facing competition from the behemoth from unfamiliar quarters.

As customers get more demanding and nit-picky with what the likes of Dell and HP have to offer, the tech giants have their task cut out. HP may be king of the hill for now. But as George Colony, founder and CEO of Forrester Research, an information technology analysis firm, said in a recent interview to Bloomberg, Apple is all set to outpace IBM and HP to the top of the revenue pile by 2013. "They'll be bigger than IBM next year, and they'll be bigger than HP the year after that." If that is indeed the case, Apotheker has an extremely difficult job at hand. A rampaging Apple and a growing move towards enterprise consumerisation, could also give Dell many more headaches, too. ◆

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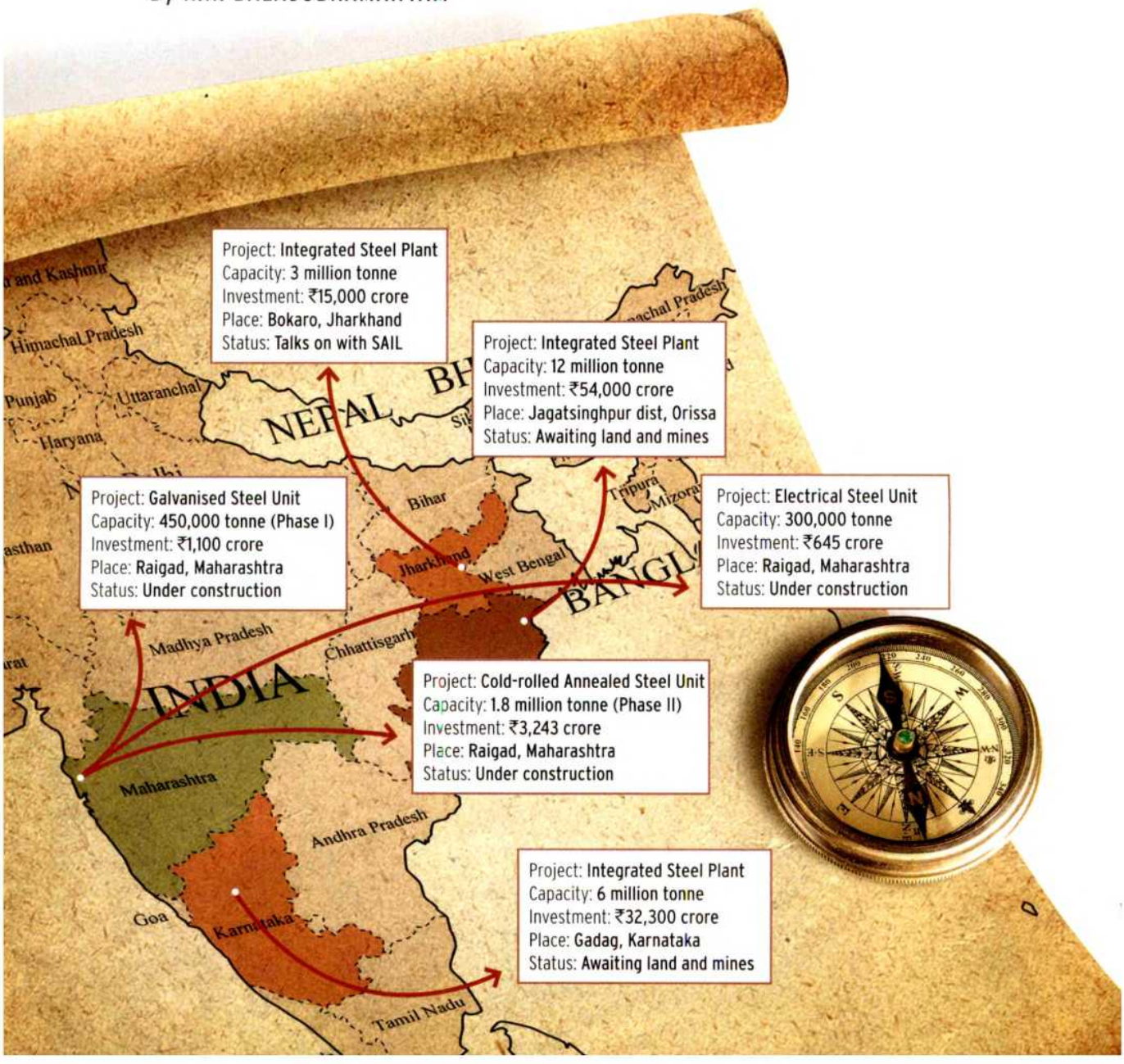
posco Not Just Orissa

The South Korean steel maker's business agenda for India goes beyond the eastern state.

By K.R. BALASUBRAMANYAM



Six years after it made its move into India, the Pohang Iron & Steel Company stays halted in its tracks in Orissa. Its ambition to set up a mega steel plant remains stymied. But, quietly and slowly, Posco, as the company is better known, has been spreading its wings in India. Away from the limelight, it has three major projects on course in Maharashtra.

The South Korean behemoth is setting up a ₹3,243 crore, 1.8 million tonne, or mt, cold-rolled annealed steel mill; a ₹645 crore, 300,000 tonne electrical steel sheet factory; and a ₹1,500 crore, 450,000 tonne galvanised steel sheet plant, all of them in Maharashtra's Raigad district. "Our aim is to set up upstream projects (steel mills) in eastern India where raw material is available, and downstream plants (product factories) in western India where industries are based," says Gee-Woong Sung, 51, Managing Director of Posco India. Sung oversees primary steel production while another subsidiary, Posco Maharashtra, is implementing the three downstream projects. The electrical steel sheet plant at Raigad — as also Posco's coil processing units already purring at Pune, Gurgaon and Chennai — produces steel used in home appliances, automobile and power stations.

Gee-Woong Sung, MD, Posco India

"Our aim is to set up upstream projects in eastern India where raw material is available and build downstream plants in western India where industries are based"

Posco, ranked third-largest steel maker globally, a gilt-edged company which has millionaire Warren Buffett's Berkshire Hathaway owning five per cent of the shares, ended the calendar year 2010 with an output of 33.7 mt, and revenues of nearly $30 billion. The behemoth recognises Maharashtra as home to 45 per cent of India's automobile and 40 per cent of electronic appliances production and aims to eventually become a one-stop shop for all industries' needs. Its strategy is to have the Raigad plants get raw material from all sources, including the mother plants in South Korea, and make products first for India and then for overseas markets. To achieve this, it is building a 360,000-tonne capacity warehouse near Dighi Port. "Our plan is to invest ₹5,000 crore by 2014 in three factories in Maharashtra and we hope to generate 1,500 jobs there," says J.G. Kang, General Manager, Posco Maharashtra.

While Maharashtra has turned out to be an oasis of optimism, Orissa remains a nightmare for Posco. The conglomerate wants primary and value-addition projects to move hand in hand and develop a symbiotic relationship with each other. While relentlessly following up its Orissa plans, the steel maker is also pursuing opportunities in Jharkhand and Karnataka. Posco's proprietary steel-making technology, Finex, is the envy of its peers and has prodded entities like the Steel Authority of India Ltd, or SAIL, to explore a joint venture aimed more at accessing the technology. Finex involves direct use of pure iron ore (fines) and non-coking coal as feedstock in steel making. "This technology maximises efficiency of steel production as it involves use of fines without pre-treatment. It reduces pollution by 80 per cent, compared to the existing technology and is also cost-efficient," says Sung.

Stalemate

The South Korean multinational signed a memorandum of understanding to set up a 12 mt capacity integrated steel mill project in Orissa, at an investment of ₹54,000 crore, in 2005. "However, not even an acre of the land we need for our project is yet with us," rues Sung, whose project office functions out of rented premises near the Paradeep port. The integrated project, consisting of a steel mill, a power plant and a port, is assessed to require 4,004 acre in Jagatsinghpur district, but protests and government-level hurdles have crippled its progress.

At the heart of the delay is the issue of set-

ILLUSTRATION BY SANTOSH

tling of rights of those families whose livelihood is dependent on the forest land. Orissa has to convince the Ministry of Environment and Forests that no non-tribal family can claim to be dependent for its livelihood on the forest lands it intends to hand over to Posco, and hence, the Forest Rights Act, or FRA, 2006 is not being flouted. Only then can the process of transfer of forest land to Posco resume. "We are sending a report to the Environment Ministry indicating our compliance with FRA," says Aditya Padhi, Principal Secretary to the Chief Minister of Orissa.

The company is now armed with a conditional approval granted by Union Environment Minister Jairam Ramesh on January 31. It comes with a set of conditions, which Posco and Orissa government say they can honour. But the order has left the protesters fuming. Villagers, under the aegis of Posco Pratirodh Sangram Samiti, or PPSS, have erected makeshift bamboo gates at eight villages identified for land acquisition for the project. These are intended to block the entry of outsiders.

Posco officials insist they have no intention of arm-twisting the villagers. "We do not want even an acre of private land which its owner does not want to sell," says Sung. He says so because private land makes up barely 438 acre of the 4,004 acre estimated for the project. The rest is forest and government lands, sufficient for the company to get cracking on the project. "We recognise the difficulties in land acquisition. Ours will be the most efficient steel plant in terms of utilisation of land in India," Sung says. In Andhra Pradesh, in comparison, Brahmani Steel has been allotted 10,675 acre to put up a 10 mt mill. Posco has agreed to pay ₹17 lakh per acre for the land it gets — accepting the price set by a representative body of stakeholders set up by the state government, the Rehabilitation and Periphery Development Advisory Committee. It has also agreed to compensate those who stand to lose paddy fields, prawn breeding ponds and betel vines. The package, however, has not cut any ice with PPSS and its supporters. "We cannot allow a multinational to come, destroy our land and livelihood and plunder our natural resources," says Prasanta Paikray, the PPSS spokesperson. "There is no way I will leave this place," declares Ranjan Swain, a farmer in Govindpur, a village marked for the project.

Orissa government has to convince the Ministry of Environment and Forests that no non-tribal family is dependent on the forest for livelihood, and hence, the Forest Rights Act, 2006 is not flouted

How important is the gargantuan mill to Orissa's economy? A study by New Delhi think tank National Council of Applied Economic Research in 2006 had estimated that Posco would generate 8.70 lakh person-years of jobs over a 30-year period once it achieves its peak capacity. "We are currently exporting fines. If we are able to use it locally and add value, it will create employment here and provide rev-

PHOTOGRAPHS BY DEEPAK G. PAWAR

Protests on: A bamboo gate erected at Patana village in Orissa to keep Posco officials out

enue streams to the state and Centre," avers the state's Steel and Mines Minister Raghunath Mohanty. Former SAIL Chairman S.K. Roongta provides a perspective: "Posco will increase competition in the Indian steel sector which is good for consumers. Other companies will respond by becoming more efficient. In the last four years, India has been a net importer of steel, but with increased investments, like the one Posco intends to make, we can eventually become net exporters of steel and value-added products."

Much as Orissa can ill-afford to lose the project, the steel gorilla, too, can ignore India only at its peril. India and China are the only two countries where steel consumption has been growing at an electrifying pace. In the 10-month period up to January 2011, India produced 54.5 mt of steel, up 10.3 per cent over the same period last year. In the next five years, the demand for steel is likely to grow at more than 10 per cent annually, as spending on infrastructure projects as well as sales of automobiles increase. Posco is not the only big steel maker with India in its cross hairs: Nippon Steel, ranked fourth in the world by capacity, has teamed up with Tata Steel to produce steel sheets in India, while another Japanese company JFE Holdings, No. 5 globally, has bought a sizeable stake in Sajjan Jindal's JSW Steel to focus on making automobile grade steel.

Raghunath Mohanty, Steel and Mines Minister, Orissa

"We will give Posco extension... I am confident the project will come up soon"

Why Orissa

Posco's choice of Orissa as the stepping stone for its largest single-location India project was influenced by two factors: the state's rich iron ore deposits and its coastline. Around 35 per cent of India's iron ore deposits lie in Orissa, but only a fraction of it is mined, and an even smaller fraction utilised locally. While reserves in the eastern state are estimated at 5,231 mt, only around 79 mt was mined in 2009/10, of which barely 20 mt was consumed in the state. Similarly, Orissa's long coastline — Posco's plans include building a captive port — facilitates shipments to locations globally.

But nothing has gone right since the decision was made, despite the full backing of the state government. While work on the steel plant remains stalled, even the government's decision to let Posco prospect iron ore at the Khandadhar mines in Sundergarh district was struck down by the Orissa High Court last July, after a local company, Geomin Minerals and Marketing, complained of bias in the decision. The case is now pending before the Supreme Court.

"Security of raw material and logistics are both very important to us," says Sung. It has been estimated that, if the steel plant does become a reality, Posco will need around 600 mt of iron ore over 30 years of operation. Observers maintain that Posco will not wait endlessly for a mining lease, and it will still stand to gain if its primary purpose of locating its plant in Orissa is achieved. The mill can run with ore bought from the open market. "Raw material assurance is just one source of competitive advantage," says a sector specialist. "The real advantage lies in a company's capability to service the market in real time." Currently, only Tata Steel and SAIL meet a large part of their raw material needs from captive sources. Other steel companies have to buy ore in the market. The JSW steel plant at Bellary in Karnataka had been assured a mining lease by the state government, which never came. It did not stop Jindal from either commissioning the plant or even expanding capacity.

As for logistics, Posco is firm on having its own captive port. "India has no experience in steel plants with ports. That is how large steel plants the world over are. We need ease of logistics. Paradeep port is already jam-packed. We cannot depend on other ports for movement of our materials and products," says Sung, who retains his optimism on the big-ticket investment on the Orissa coast. Both Sung and the Orissa government dismiss any suggestion of Posco relocating its project to another state. "We will give them extension and I am confident the project will come up soon," says the steel and mines minister.

Often the acrimony sounds like an endless battle between reason and rhetoric. While it is still early to say which one will eventually prevail, a number of potential foreign investors are surely watching Posco's India journey very closely. ◆

Distance scanning: Teleradiology Solutions' Arjun Kalyanpur

It is 3 a.m. in Waterbury, Connecticut, on America's east coast when an emergency case is wheeled into St Mary's Hospital. The patient needs an immediate magnetic resonance imaging, or MRI, scan for the diagnosis to proceed. But she has been brought in at an hour when none of the radiologists attached to the hospital is on call. The resident doctors can take the MRI, but who will study the image and arrive at a diagnosis?

Not to worry: St Mary's has a tie-up with Teleradiology Solutions, or TRS, a company located in Whitefield, on the outskirts of Bangalore, India, 13,500 km away. TRS employs a team of radiologists to observe and interpret medical images ranging from X-rays to computed tomography, or CT, and MRI scans sent to it from clients globally.

TRS staff observed and wrote reports on more than half a million such images in 2010. "We have specialists among radiologists, too," says Sunita Maheshwari, who, along with her husband Arjun Kalyanpur, started the company in 2002. There are, for instance, those who specialise in reading neuro or brain images, others who focus on cardiac images and still others who concentrate on thoracic or lungs-related scans. "And we are quick," adds Maheshwari. "We can report back on a medical image in as little as 30 minutes."

The doctor-couple Kalyanpur (a Yale graduate) and Maheshwari returned to India in the late 1990s. They discovered

Imaging the World, Remotely

India's teleradiology companies, which decipher scans and X-rays from across the world, are thriving, but they need to spot the next growth curve. By RAHUL SACHITANAND

that Maheshwari, a paediatric cardiologist, could easily get employment, but Kalyanpur, a radiologist, could not. Even as he hung onto his job in the US and went ahead with their relocation to India, they looked for opportunities here. TRS started as a pilot project with Yale and then got its early business — delivered from their spare bedroom — from NightHawk Radiology, a Florida, US-based radiology practice. "There is a 20 per cent shortfall of radiologists in the US," says Kalyanpur, CEO at TRS. "The shortage is most acute at night when radiology departments are seriously understaffed."

If the shortage does not pinch the US too much, it is only because teleradiology has become a thriving global business in recent years. Increasingly, TRS faces competition. When it started, there were barely three or four teleradiology companies globally, but soon after, as many others saw a similar opportunity, the number grew to more than 60.

Then came the global economic downturn and with it the shakeout — at least 10 companies folded up. As thousands of Americans rendered jobless lost their health insurance benefits, US hospitals slowed down on both pending payments and fresh referrals. Even radiology companies in the US suffered, with NightHawk, for instance, being taken over by Virtual Radiologic in December last year.

Knowing it could not afford to be complacent, TRS — and its Indian competitors, too — had begun looking beyond the US long before the downturn. In end-2005, TRS won its first deal outside the US, Singapore's National Healthcare Group, responsible for delivering healthcare services to half the island state's population. Says Tyrone Goh, Executive Director of NHG Diagnostics: "Their turnaround time has always been consistent and they have been able to report within one hour of receiving the X-rays. Today, TRS reads about 27 per cent of our X-rays." TRS, which is the largest outsourcer of teleradiology services in India, has 47 radiologists working for 106 hospitals in 20 countries.

Another player is the four-year-old Teleradiology Providers, which seeks its clients among Asian and African countries. "We started with two radiologists and focused initially on the subcontinent, in contrast to other companies, which were started for US clients," says Sumer Sethi, Director at the New Delhi company. The company now has tie-ups with hospitals in six countries.

WHAT IS TELERADIOLOGY?

- It is the process by which X-rays, CT and MRI scans taken at one location are transmitted online to another. It enables outsourcing the deciphering of images to radiologists located far away

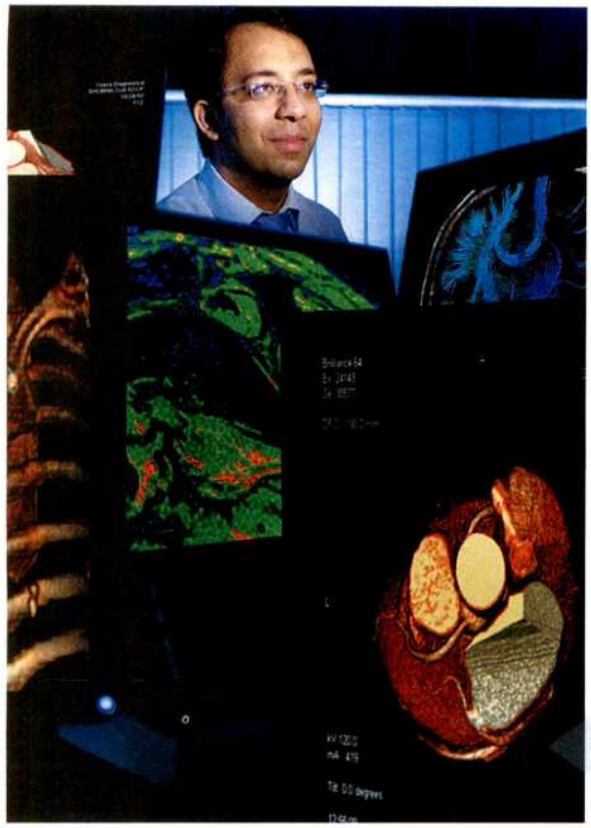
IT IS A LUCRATIVE BUSINESS...

- Margins for offshore providers can be as high as 60%
- Many countries, including the US, are short of trained radiologists and have no choice but to outsource

... BUT THERE ARE CHALLENGES

- Critical shortage of radiologists even in India, with certified ones hard to come by and even harder to afford
- Regulations in the US require even online radiologists to be accredited

PHOTOGRAPHS BY DEEPAK G. PAWAR



MONEY SHARMA

"There is plenty of growth potential if quality is maintained," says Sethi.

As in all other cases of outsourcing, overseas hospitals employ teleradiologists in India primarily to cut costs. "Indian teleradiology companies are cheaper than their US counterparts by about 25 to 30 per cent," says Ashish Dhawad, founder of TeleDiagnosys, a Pune-based teleradiology company, which reads around 300,000 medical images annually.

Still, even in India, radiology calls for expertise and radiologists, unlike business process outsourcing, or BPO, workers, do not come cheap. According to industry estimates, US Board-certified radiologists can cost $400,000, or ₹1.8 crore, or upwards per year. Apart from the requisite degree, radiologists seeking to cater to US hospitals — even when they do so online — need accreditation from the state in which the hospital is located.

Indian teleradiology companies' ambitions to be world beaters may, however, be fettered by their lack of management expertise and unwillingness to delegate, as the business expands. Most of them are run by radiologists who have little experience of business. At TRS, for instance, Kalyanpur and Maheshwari call all the shots. Despite being approached by multiple investors, they have shown little inclination to divest a part of their stake or bring in professional managers at the top level.

Companies such as TRS risk missing out on growth with such a stance. Venture capitalist K.P. Balaraj points to the instance of Dr Lal PathLabs that is growing its revenues 40 per cent a year after hiring Ranbaxy, Monsanto and Unilever veteran O.P. 'Om' Manchanda as CEO. "Doctors know their businesses well and are strongly networked," the WestBridge Capital MD says. "They need to be willing to cede management control and expand their board to include experts from different fields if they want to hasten growth."

To stay ahead of the pack, says Rickey Bedi, CEO of Telerad Tech, a TRS software unit, it is important to also keep developing workflow tools that will help radiologists work faster and more efficiently. Telerad, for instance, has created software that automatically routes scans and medical images to its radiologists based on their speciality. This helps manage the workflow better and in turn increases productivity.

"We focused initially on the subcontinent... other companies were started for US clients"
Sumer Sethi, Director, Teleradiology Providers

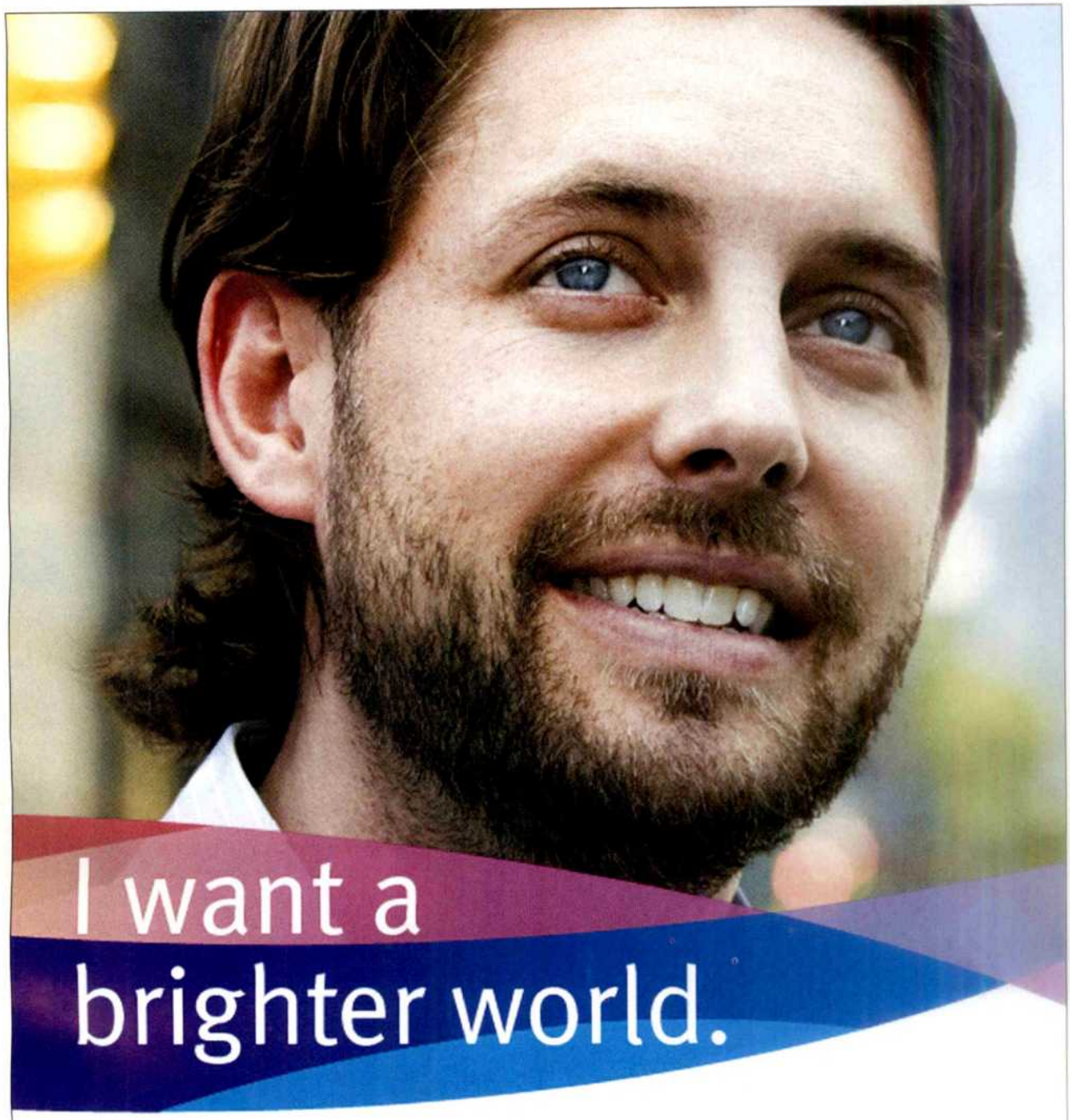
Finally, there is domestic demand, too, for teleradiologists. According to industry estimates, with a population of 1.2 billion, India only has around 15,000 diagnostic centres, and the number of radiologists working with them is even lower, around 10,000. In comparison, the US, which claims to be short of radiologists, still has 25,000 of them for a population of 350 million. "The value for us would lie in utilising technology to make the most of the trained manpower we have," says Kalyanpur. The firm has tied up with biotechnology leader Biocon to look after the radiology aspects of its clinical trials.

Teleradiology, one of the first services to be outsourced remotely, looks like it is here to stay. It is up to TRS and its competitors to scale up big time now. ◆

TRS: EXPANDING FOOTPRINT

Year	Radiologist Headcount	Hospitals Covered	Images Read
2006	24	30	200,000
2007	38	61	325,000
2008	43	96	450,000
2009	46	105	550,000
2010	47	106	570,000

Source: Teleradiology Solutions



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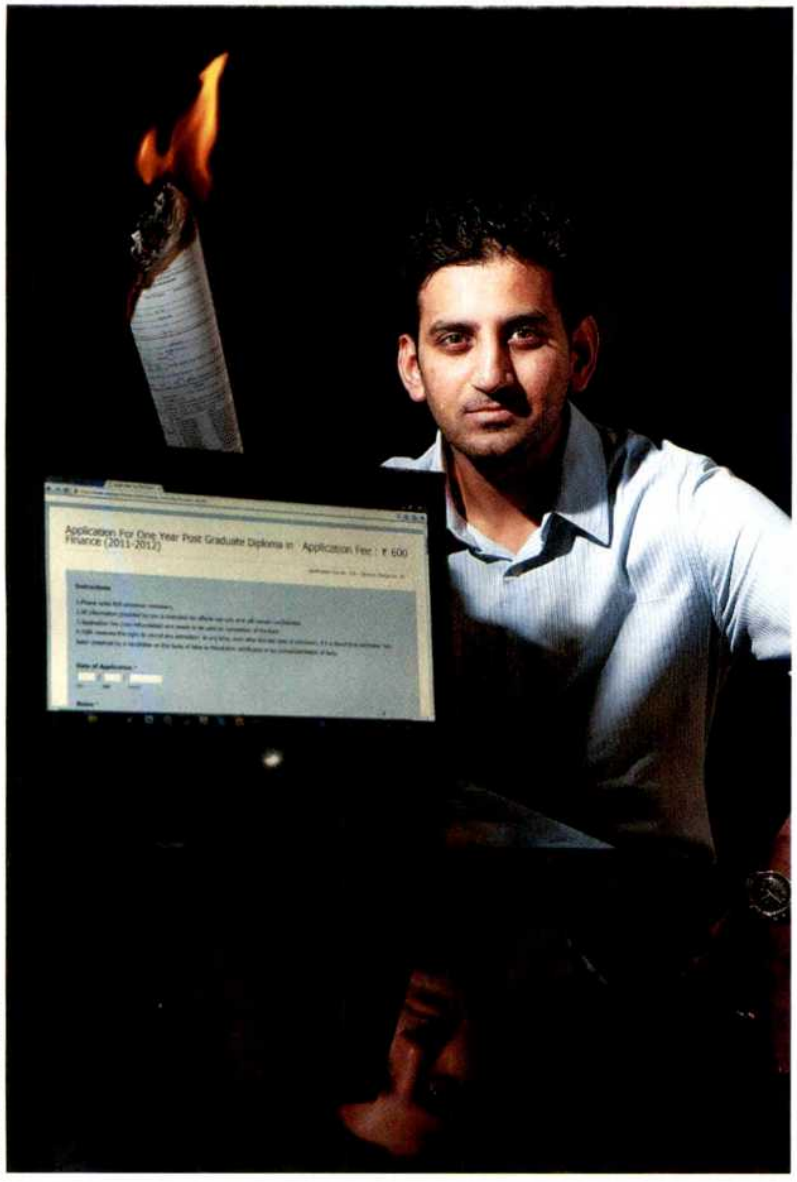
PAPER REFORMER

Vishal Shah's new portal has convinced many educational institutions to go online with their application forms. By TASLIMA KHAN



RACHIT GOSWAMI

On a sabbatical in India in early 2010, Vishal Shah, an auditor at Deloitte in Atlanta, found a cousin of his tense and restless when he visited him in Chennai. Every day the cousin, who wanted to join a technology course, would travel to faraway engineering colleges to collect application forms for admission, and then go back again to submit them.

"In a country like India which claims to be a software superpower, such a system seemed ridiculous to me," says Shah. "Throughout my student life in the US, I applied online from home."

Shah saw an untapped business opportunity. To be sure, there were some Indian institutions like the Indian School of Business in Hyderabad that had been providing and accepting applications for admission — and other matters — online for years, but they were just a handful. The majority continued with the archaic system of accepting applications on paper only, with all its inconveniences for the applicant.

NoPaperForms.com

FOUNDERS: Vishal Shah, Ami Damani

SEED FUND: ₹50 lakh

YEAR OF STARTUP: 2010

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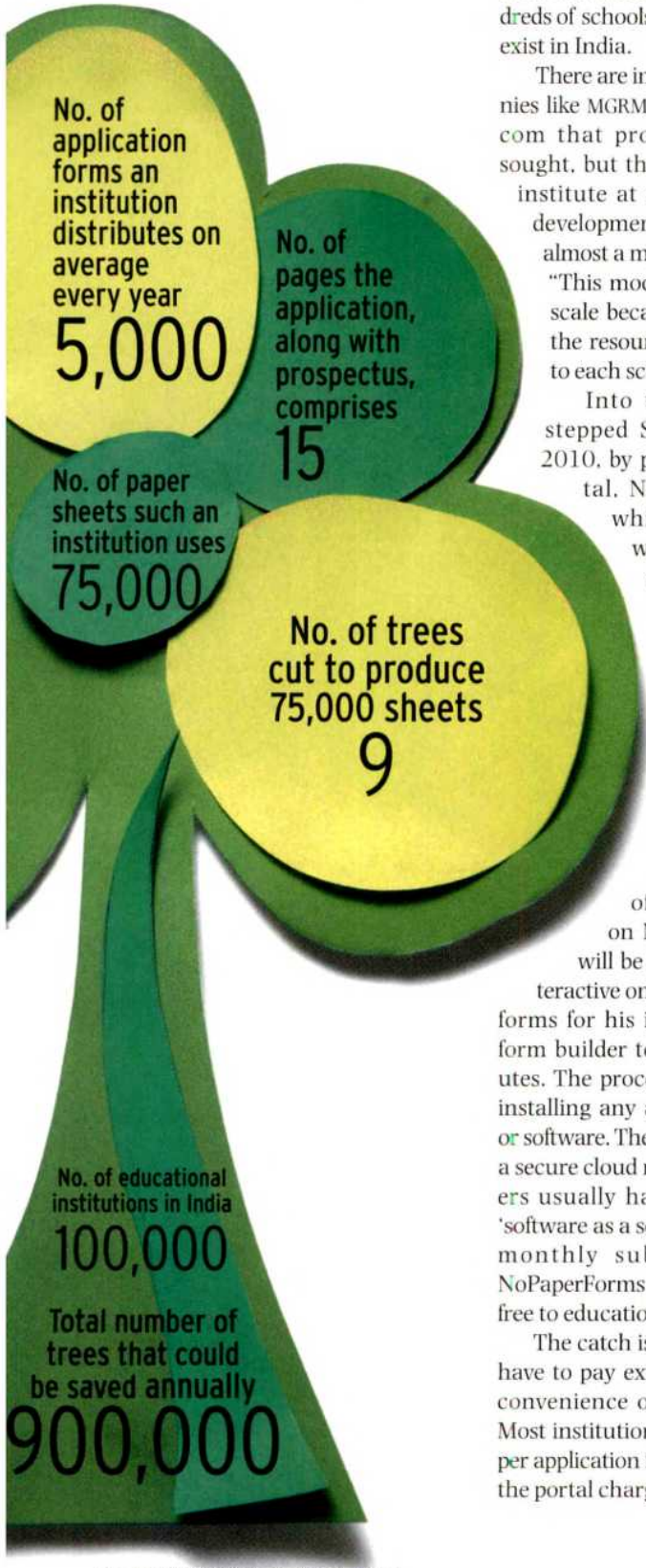
COLOSSAL CONSUMPTION

An estimate of the amount of paper used up by application forms every year.



who still had to jostle with other applicants in long queues. The concept of a services provider, like Hobsons in the United States, catering to hundreds of schools and colleges, did not exist in India.

There are indeed a few IT companies like MGRM and Admissionhelp.com that provide assistance if sought, but they take up only one institute at a time. The typical development process also takes almost a month for each school. "This model has been hard to scale because of the time and the resources required to tend to each school," says Shah.

Into this near-vacuum stepped Shah in December 2010, by putting online a portal, NoPaperForms.com, which hosts free software that any school and college can use to take its applications' process online. It took him around four months to develop, with the support of his sister-in-law, Ami Damani.

Any admission officer who registers on NoPaperForms.com, will be able to create an interactive online version of paper forms for his institution, using a form builder tool, within 20 minutes. The process does not require installing any additional hardware or software. The product is hosted on a secure cloud network. Though users usually have to pay for such 'software as a service' products on a monthly subscription basis, NoPaperForms provides the service free to educational institutions.

The catch is that those applying have to pay extra if they want the convenience of the online route. Most institutions charge for the paper application forms they distribute; the portal charges an additional 4.9 per cent — or ₹30 whichever is higher — per form filled online. Students only have to click on the 'apply online' link of the college website and they are directed to the NoPaperForms servers for filling and submitting forms, attaching scanned copies of required documents, and so forth. Finally, they pay through net banking, credit or debit cards, or cash coupons from retail outlets.

More and more institutions are turning to NoPaperForms, says Shah. In barely four months, it has 41 institutions registered with it. His first client was Mumbai's prestigious St Xavier's College. Says Father Frazer Mascarenhas, the Principal, "The admission process has improved drastically since we went online last year with NoPaperForms."

It is estimated that around 2.5 crore children seek school admission every year, each of them applying to an average of four schools. Thus around 10 crore applications are submitted at the school level alone. The market's scope is mind-boggling. A recent Central Board of Secondary Education directive asking all schools to at least put up a website could eventually lead to many of them starting online admissions using Shah's portal. "We could easily hit 10,000 schools," Shah says.

Anil Joshi at venture capital firm Mumbai Angels, however, points out that Shah's business model has no intellectual property attached to the product and can be easily copied by competitors. Shah believes the institutions he has signed on will not leave him in a hurry. "Getting them to even listen to you is difficult," he says. "Once I am already in with a free product, it will be five times tougher for someone to replace me."

NoPaperForms is also working on a business-to-consumer platform to engage Facebook-savvy students and spread its brand virally. This platform will let students post updates and share information. If the model scales, as Shah expects it to, the possibilities for it are endless. ◆

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SONG OF THE ROAD

The construction of the Golden Quadrilateral is complete, but for just 40 km. N. MADHAVAN and photographer NISHIKANT GAMRE take a ride in a truck from Chennai to Mumbai to check it out.

PHOTOGRAPHS BY NISHIKANT GAMRE

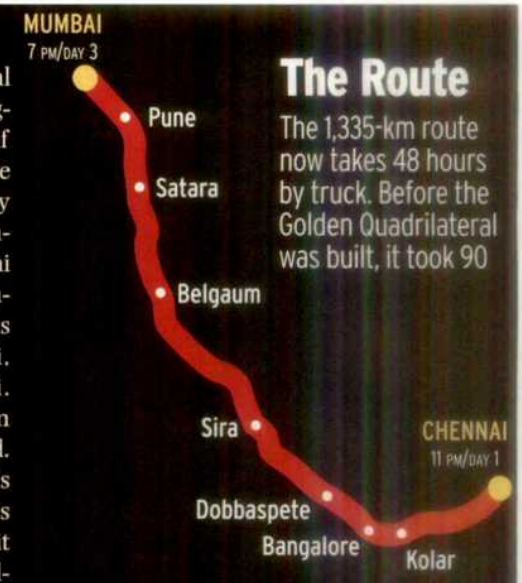
Friday, 11 p.m. A 16-tonne, single-axle Tata truck is ready to depart from the Central Warehousing Corporation's container freight station in Chennai. It will travel to Mumbai carrying a cargo of garments for shipment to Europe. Over the next two days, it will cover 1,335 km along the picturesque National Highway 4, or NH 4 — the Chennai-Mumbai corridor of the Golden Quadrilateral, the network of super-smooth four- and six-lane expressways intended to provide world-class connectivity to the four metros of Delhi, Kolkata, Mumbai and Chennai.

The truck carries two unusual passengers: this writer and a photographer, on assignment to check if the Golden Quadrilateral has made long-haul transportation of goods by road any more efficient and convenient or safe. The Chennai-Mumbai stretch has been chosen since it connects four of the 10 most populous cities of the country: Chennai, Bangalore, Pune and Mumbai. Currently, 65 per cent of goods in the country are transported by road.

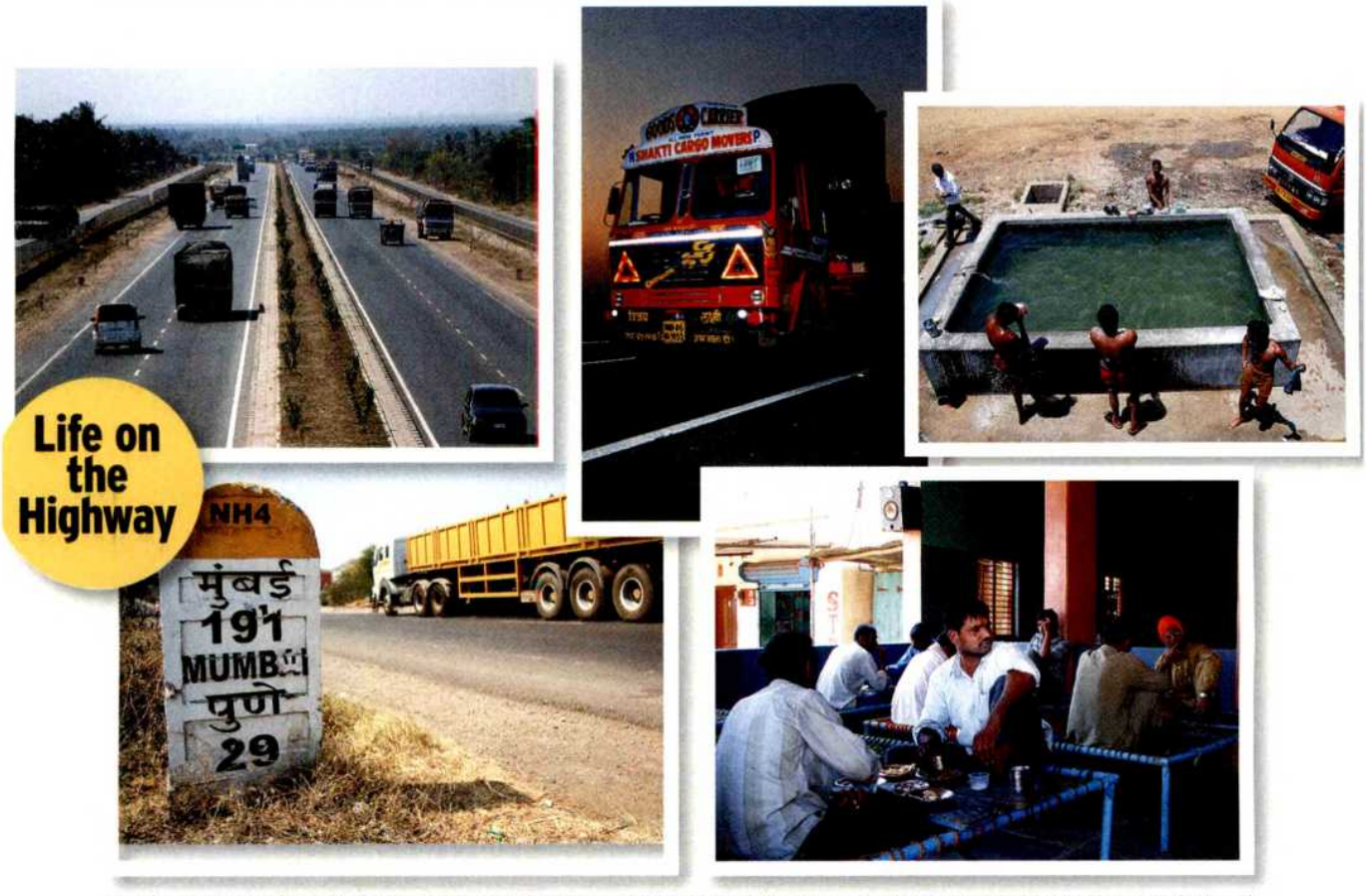
Modest at first glance, the truck's cabin, on closer inspection, turns out to be surprisingly tech-heavy: it has an LCD TV, a DVD player, a cell-phone charger and even a Global

The Route

The 1,335-km route now takes 48 hours by truck. Before the Golden Quadrilateral was built, it took 90



Miles to Go: Driver Som at the wheel of his Tata truck



Clockwise from top left: NH4 at Harihar at dusk; nightfall at Shiggaon; a wash followed by lunch at a *dhaba* at Javanagondanahalli earlier in the day, all in Karnataka; a trailer truck on the road to Pune

Positioning System, or GPS.

Chennai traffic is unrelenting even late at night, and getting out of the city takes time. In the first 80 minutes we cover barely 28 km. Our first stop is at Kaveripakkam, 75 km north from Chennai, for fuel. "I never fill my 250-litre tank to capacity. Theft is very common on the highway when we stop to eat or rest and the truck is left unguarded," says Som, the 27-year-old truck driver. He explains that he does so because it helps to limit losses if indeed fuel is stolen during the journey.

Driver's expenses

Som says he will make two more halts along the route to refuel. With each of these stoppages taking 20 minutes, he will lose about an hour during the journey, but he does not mind. For truck drivers, fuel, as much as time, is money. They need to save on both.

As we trundle through Andhra Pradesh in the dead of night, the driver explains why. The truck operator, he reveals, has given him a lump sum of ₹16,300 to cover both his expenses during the trip, and his wages for the assignment. The break-up is as follows: ₹12,000 for diesel, ₹3,000 for paying toll and bribes, and ₹1,300 as his payment — drivers like Som are paid per trip, not per month. Whatever he manages to save will be his to keep.

We reach Kolar town in Karnataka at dawn on Saturday. The driver's cabin has grown uncomfortably cold. Here, the industrial topography of the earlier stretch in Andhra gives way to verdant fields dotted with vineyards, potato crops and flowers.

To foster time saving as well, says Som, some fleet operators offer incentives to drivers — he will get an additional ₹1,200 if he makes it to Mumbai in less than 48 hours. But the amount he can save by conserving fuel is roughly the same. For him, the ideal situation is when he is able to save both time and fuel — as he does, immediately after Kolar.

Fuel Saving Tactics

Just past Kolar, the truck veers off the highway, taking a narrow side road. "I am by-passing Bangalore and its heavy traffic," the driver says. This route being 40 km shorter, he will not just save diesel but also a couple of hours of travel. An added bonus is that he will be able to avoid one of the toll gates and pocket the toll fee of ₹100, he explains.

Fuel conservation is ingrained in Som. Every time the vehicle hits a slope, he shifts into neutral gear and shuts off the engine, relying solely on the weight of the cargo he is carrying to propel the truck forward. He keeps doing it for nearly a fifth of the

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Start Date of the Program: 1st August, 2011

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distance he covers. "This way I save ₹1,200 on diesel on each trip," he reveals.

The use of narrow side-roads is frowned upon by fleet operators, as rough roads wear out truck tyres more quickly — the stipulated life of a truck tyre is 75,000 km. The driver is careful to switch off the GPS before taking the detour, he does not want it recorded. He returns to the highway at Dobbaspete, a small town on Bangalore's outskirts, at around 8.40 in the morning.

At Dobbaspete, we observe a long line of stationary tractor trailers. It is a common sight on the outskirts of most big cities, which ban entry of heavy vehicles during the day to prevent traffic snarls. Bangalore, too, keeps them out between 6 a.m. and 11 p.m, which means all those vehicles we see will stand idle for the next 14 hours or more. It is a major impediment to rapid transportation of goods in the country.

Corruption Squad

Shortly after leaving Davanagere in Karnataka, we run into a hurdle. A road transport office squad stops our truck and fines the driver ₹700. What for? Some traffic violation that only the squad knows. We never find out. "We are stopped up to seven times per trip and each time we have to pay," says the driver.

At 9.45 p.m. we halt at a *dhaba* near Dharwad in north Karnataka. We have clocked 605 km in a little less than 24 hours. Som takes a short nap — he has been driving continuously for nearly 12 hours. We exchange notes with other drivers at the *dhaba* — and are proud to learn that, on average, trucks manage only around 350 km a day.

One reason why trucks are unable to pick up much speed, despite the smooth, open road, is overloading. Constant battering by the wheels of overloaded trucks damages the road as well. On Sunday morning, as we hit the Western Ghats, our truck struggles to climb.

SPEED BREAKERS

While the Golden Quadrilateral has cut travel time considerably, some challenges remain:

CHECK POSTS Multiplicity of check posts and mobile squads are a source of corruption and traffic obstruction on highways

TOLL BOOTHS As many as 18 toll booths dot the 1,300-km NH4. The toll charges work out to almost ₹2,500 per trip

FUELLING Truckers refuel frequently rather than travel with full-tanks due to fear of fuel thefts on the highways

ENTRY RESTRICTIONS Trucks have to wait as long as 17 hours to enter cities due to curbs on day-time entry

The way bill says we are carrying a seven-tonne load. Is the load actually higher? The driver claims his operator always informs him if the truck is overloaded, but this time he has not been told anything.

Loading a truck beyond its permitted capacity is an offence rampantly indulged in, we found. All stand to gain — fleet operators, truck drivers, customers. The operator gets more revenue per trip, and the customer is spared from engaging another truck to carry just a few extra tonnes. The driver says his operator pays him ₹800 for every tonne of extra load. Certainly, if caught, there are fines to pay, which vary widely from state to state: Maharashtra charges ₹5,000 for every extra tonne, neighbouring Gujarat a mere ₹300.

Sugarcane fields welcome us as we enter Maharashtra on Sunday morning at around 11. We have covered 1,040 km in 36 hours. Som, who has been driving trucks since he was 18, says the Golden Quadrilateral has cut travel time on the Chennai-Mumbai route by half. The international average for road travel is 1,000 km a day. Though the Indian average is much lower, our truck has managed to log 600 km. Earlier, trucks found it difficult to cover more than 300 km in a day. Improved efficiency in transportation has meant significant savings in inventory costs for industry.

The 5,846-km, ₹60,000-crore Golden Quadrilateral project, conceived by the National Democratic Alliance government in 2000, is almost complete, with work remaining on just 40-odd km. The Chennai-Mumbai segment is complete. Around 80 per cent of the project was finished before the NDA was voted out of power in 2004. But the momentum slowed thereafter.

At 3.25 in the afternoon our truck crosses the Katraj Tunnel and enters Pune. At 7 p.m. we reach Mumbai — 18 toll booths, 20 bottles of mineral water, 44 hours and 1,335 km later. ◆

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MONEY

RAJAT BARAN

Pack a Safety Net

Travel insurance should not be viewed as avoidable expenditure.

By CHANDRALEKHA MUKERJI

How many times have you declined to buy travel insurance while booking your air tickets? If flight delays or cancellations, lost baggage, medical emergencies or even misplaced travel tickets sound familiar, then the travel insurance you ignored could have rescued you.

Buying travel insurance has assumed greater importance over the years since travel, domestic and overseas, has become easier on the pocket. "The rise in the number of travel operators offering incentives and discounts, cheaper airfares, and increased spending by the urban population has increased the number of travellers across the world and within the country," says Tapan Singhel, Chief Marketing Officer of Bajaj Allianz General Insurance. In fact, increased travel is a boost to travel portfolios of insurance firms. "The travel insurance industry is growing at the rate of 20 to 25 per cent annually," says Sanjay Datta, Head of Customer Service at ICICI Lombard General Insurance.

However, this is still low when compared to developed nations. "Insurance penetration in the West and Japan is almost 100 per cent, whereas in India it is at around 20 per cent for international travel and negligible for domestic travel," says Gaurav Garg, Managing Director and CEO of Tata AIG General Insurance.

All too often we travel uninsured

because we look at it as a superfluous cost, where money spent is money wasted. "Leisure travellers are usually price sensitive, which is why many are reluctant to buy travel insurance," says Singhel.

"One of the prime reasons for reluctance to buy travel insurance in India is lack of awareness. The need to cover your trip is rarely felt unless it is compulsory to have travel insurance before obtaining the visa," says Antony Jacob, CEO of Apollo Munich Health Insurance.

Like motor insurance, making travel insurance compulsory will boost sales. But will this benefit buyers? "A mandatory clause benefits both insurers and customers. With more people buying travel insurance, insurers will have more volume to cover their risk and can price products better," says Garg.

Reasons to Buy

Imagine arriving at your destination with your baggage missing, including your passport, or falling sick and having to foot medical bills in a foreign country. The benefits of travel insurance far outweigh its cost. A typical plan covers accidents and sickness (including medical evacuation, repatriation), airport mishaps (baggage loss, flight delays or cancellation, loss of passport) and emergency financial assistance. Another important feature is the personal liability cover, which comes in handy in the case of unintentional damage to others' property. Make sure to have this, especially when travelling with kids. All this will cost you only as much as five to six per cent of your airfare.

Though many agree that travel cover is a must when travelling overseas, most are doubtful of its need during domestic travel. "You can skip travel cover for domestic trips as health and accident policies should cover these exigencies," says Mukesh Kumar, Head of Strategic Planning Group at HDFC ERGO General Insurance.

Adds Yashish Dahiya, CEO of policybazaar.com: "Some airlines cover delays and cancellations, while others don't. Therefore, if you travel frequently, you might consider taking a cover."

The Right Plan

There are separate policies designed for individuals, families, students going abroad and frequent flyers. There is even one for those in the golden years of their lives. So which one is best suited for you? Says Singhel: "Choose a policy as per individual requirements, considering duration of travel, cover required and countries being visited. The right features also help in saving premium."

Datta also advises undertaking a comparative analysis before buying any policy. "The buyer should compare offerings, including online services, claims process, payment options and tie-ups with facilitators and service providers abroad." Moreover, the insurer should be a recognised player with a good track record. "The buyer should always check a company's claims settlement history," adds Singhel.

Do not forget to read the fine print and pay attention to the exclusions. "Any insurance policy would have broad exclusions and waiting periods for effective coverage," says Jacob. Along with this, also get information on the documents required to file a claim. Documents required for loss of baggage will differ from those for medical evacuation. "One should always carry one's documents along. A good way is to have them online so that they can be accessed anytime, anywhere," says Datta. ◆

Courtesy: *Money Today*

HOW TO PICK THE PERFECT POLICY

- Know your requirements before picking a policy
- Do a comparative study
- Choose a product of a reputed company
- Read the fine print carefully
- Take note of the exclusions and waiting periods
- Fill up the proposal form yourself. Do not depend on agents or any third party

WHAT WON'T BE COVERED

- Maternity, pre-existing ailments and complications arising out of them
- Illness contracted while travelling against the advice of a physician
- Venereal diseases, mental disorders, anxiety and depression
- Suicide or attempted suicide
- Injury caused due to war, terrorism or any illegal acts
- Accident occurring from participation in dangerous sports

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Wings of Their Own

The private jets market in India takes off, buoyed by the growing number of billionaires and their expanding business interests. By Anumeha Chaturvedi

Lost among the flood of newspaper reports on March 31, the day after the keenly fought and politically charged India-Pakistan World Cup semifinal match was held in Mohali, was this little snippet: "76 private jets and charters land in Chandigarh."

From the $60-million (₹270-crore) Airbus Corporate Jets of Reliance Industries chief Mukesh Ambani and UB Group's Vijay Mallya, to the under-$5 million second-hand Beechcraft Turboprops used by lesser-known tycoons, they all landed at the usually sleepy Chandigarh International Airport on March 30, giving air traffic controllers there, unused to so much airport activity, a harrowing time. They dropped off their high-profile passengers and promptly took off again to park at Delhi airport 250 km away. Chandigarh has only three parking bays since, on normal days, it needs to handle barely a dozen flights.

With the economy booming and private industry flourishing, private jets have, over the years, become a regular mode of transport for the doyens of Indian industry. They spell glamour, success and indeed, corporate excess. So, if Ambani owns as many as three planes — an ACJ 319 and two Bombardier Global 5000 jets — younger brother Anil has two as well — a Dassault Falcon 2000 and a Bombardier Global 5000. Flamboyant businessman Mallya also owns two jets — an ACJ 319 and an Airbus 133.

"Private jets give us a lot of flexibility in flying to areas not accessible by commercial flights or when we are short of time. As our businesses expand, it's a sure and convenient way of saving time and effort," says Gautam Singhania, Chairman and Managing Director of Raymond. Singhania, too, flew in his nine-seater Challenger 604 jet to Chandigarh to support Team India at Mohali. He was also in the stands to cheer the Men in Blue at Nagpur and

Airbus ACJ (below)
Its interior (right)
List price:
$60-70 million
(₹270-315 crore)
Owned by:
Mukesh Ambani;
Vijay Mallya

Ahmedabad against South Africa and Australia, respectively, flying to both venues in his private aircraft.

Says aviation analyst Rajan Mehra: "Business aviation, or the use of private planes and helicopters by companies, is on the rise as a result of the sustained economic recovery of the country. Companies realise that owning your own jet is value for money. It saves time, cost, effort and adds to convenience and comfort."

Biggest Market in Asia

The flourishing private jets market in India constitutes 12 per cent of the global market and is bigger than that in Asian superpowers China and Japan. The country has the maximum number of private jets in Asia — 142 against China's 93 and Japan's 76, according to Frost & Sullivan, the global business research and consulting firm — and manufacturers and analysts expect the number to double by 2021. Naturally, global manufacturers such as Gulfstream, Bombardier and Embraer are all betting big on India. Bombardier of Canada leads the pack having sold 24 jets in this country — a mix of small Learjets, mid-size Challengers and bigger and long-distance Global business jets. According to a Bombardier forecast, India's business jet fleet will grow to 440 aircraft by 2019. "We expect industry-wide deliveries of 325 aircraft in India till 2021," says Nilesh Pattanayak, Managing Director, South Asia, Bombardier Business Aircraft.

Brazilian jet manufacturer Embraer, which has three jets in India and hopes to take the number to 20 in the next two years, aims to garner $1 billion, or ₹4,500 crore, in sales in India by 2018. Gulfstream is eyeing 40 per cent of India's long-range business jet market. "Thanks to Indian businessmen and their expanding interests, the country has developed into a successful market for Gulfstream, with the number in

Who Owns What

1. The Hinduja brothers; 2. G.M. Rao; 3. G.V.K. Reddy; 4. Shishir Bajaj; 5. Anil Ambani; 6. Ratan Tata

1. Sajjan Jindal; 2. Anil Ambani; 3. Rahul Bajaj; 4. Mukesh Ambani

List prices depend on interior fitments, avionics options Source: DGCA Aircraft Registry

use growing from five in 2001 to 21 in early 2011," says Jason Akovenko, Vice President of Asia-Pacific Region at Gulfstream Aerospace Corp.

The jet makers will not divulge the names of their target customers but obviously it is India's growing number of billionaires they are aiming at. The Wealth Report 2011 compiled recently by luxury property firm Knight Frank and Citi Private Bank found super rich Indians most keen on buying private jets over the next five years.

For those who cannot afford to buy a jet, a more convenient option is to charter a flight. Charter flights, too, are a booming business. Sanjay Godhwani, CEO and Managing Director of Religare Voyages, a Delhi-based provider of air charter services, says the industry is growing at an astounding 70 per cent. Religare Voyages's client base has over 500 companies, which book 400 to 600 hours of flight time on an average each year. The ₹1,200-crore firm currently has 12 aircraft and helicopters, and plans to increase its fleet to 20 in two years.

There are other charter companies like Taj Air from the Tata Group, Air Charters India and Private Jet Charter, which offer prompt and hassle-free charter services to those wishing to avoid the inconveniences of travel by commercial flights.

Ground View

Maintaining a jet, however, is an expensive affair, too. To comply with national and global safety norms, a private jet must be looked after regularly. The operating costs include fuel, labour and maintenance charges, aircraft insurance, crew training and crew salaries. The allocation of parking space, as seen in Chandigarh, is also a problem. The jets can only be parked at airports in metros such as Delhi, Mumbai and Bangalore, which have the space for them. But there are problems given the commercial nature of these airports.

The landing and parking charges depend on the aircraft's weight, number of seats, landing time and duration of use of parking facilities, and the choice of airport. Landing charges vary between ₹436 for a very light jet and ₹14,000 for heavy ones. "Duty and taxes on the import of business aircraft, the need for additional aviation infrastructure, stringent government norms, long procedures and payment are major hindrances to our business," says Bombardier's Pattanayak.

The constraints, for now, have done little to dissuade the high and mighty from buying jets. For them, the existing constraints are but minor irritants before take off. ◆

ADDITIONAL REPORTING BY KAKOLY CHATTERJEE

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So Many Zeros

The Koenigsegg Agera costs ₹12,50,00,000, says **Kushan Mitra**

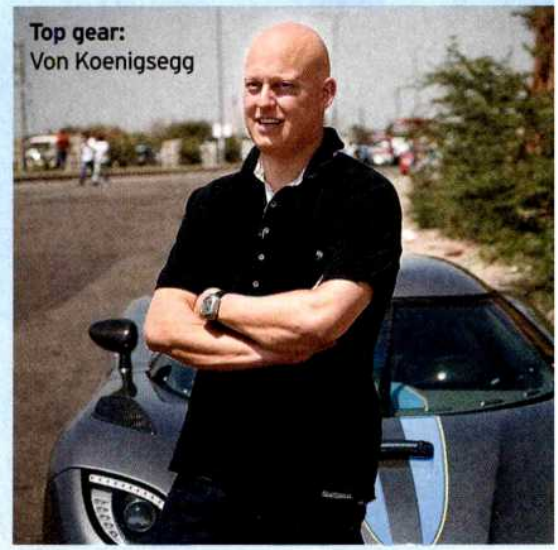
The location was bizarre. A section of the busy Gurgaon-Faridabad road was closed to traffic for three hours so that Delhi's elite could relish the sight of a ₹12.5-crore four-wheeler undisturbed.

At that cost, the Koenigsegg Agera costs the equivalent of 500 Tata Nanos or 150 Honda Citys. For that price, a buyer could get 15 BMW M5s or even a private plane.

No doubt, it is a beautiful machine, one of the best cars ever made. But the cost seems beyond obscene even to an avid car lover, like the writer. And flaunting it before a crowd that included not just the well-heeled, but also children from nearby slums, makes it worse.

The scene, with the crowd gawking, seemed a perfect symbol of India as a land of contrasts — both incredible wealth and grinding poverty in the same frame.

Apparently, two Ageras have already been sold in India. The philanthropy lectures of Bill Gates and Warren Buffett barely weeks ago have surely gone way above some people's heads. ◆



Top gear: Von Koenigsegg

PHOTOGRAPHS BY SAPTARSHI BISWAS

"If You Are Successful, You Want to Display Your Success"

Swedish super luxury sports car maker **CHRISTIAN VON KOENIGSEGG**, *founder of Koenigsegg and creator of some of the most amazing vehicles in the world, talks to* **KUSHAN MITRA** *on the company's plans and the ₹12.5-crore machine. Excerpts:*

What is the Agera all about?
We wanted to celebrate the 15th anniversary of our company with something special. This car retains the look and feel of Koenigsegg CCX but 80 per cent of its parts are new, including a bespoke engine, new suspension and in-car electronic system.

Was there any truth in the rumour that Koenigsegg was once set to buy rival Swedish car maker Saab?
That rumour was inspired by a lot of Swedish nationalism. In fact, in addition to the Agera, which is Swedish for 'to move', I also own a Saab to get around the city. We are proud of our heritage. Our cars are made in the same factory which produced Saab fighter jets. We believe we inherit the same ethos.

What is your average buyer profile?
Men, mostly. We have buyers across all age groups, from 20 to 75. But the average age is around 45.

Don't you think the car is a bit ostentatious?
Not at all. If you are successful, you want to display the success.

How do you view the Ferraris and Lamborghinis?
We are not competing with Ferrari or Lamborghini. We do not build supercars. The Agera is a hyper-car, in the same class as the Bugatti Veyron. But we feel our car is a lot sportier.

How many cars will you be sending to India every year?
Oh, very few, maybe one or two a year.

Upbeat: Karl Slym

SHEKHAR GHOSH

"We Have Six Products Coming Out in Two Years"

General Motors India Managing Director **KARL SLYM** *speaks to* **KUSHAN MITRA** *about the carmaker's growth over the past few years and plans for 2011.*

On Rising Sales: We did not have the right product portfolio, particularly small cars, to address the Indian market. With the Spark and the Beat, we now have it.

On Diesel Engines: The Indian market sees diesel as a more cost-effective fuel and is willing to pay the premium. In fact, we did not even launch the petrol version when we brought the Cruze. We feel the new diesel engine option on the Beat will help it take on competition.

On Safety Features: More and more people are buying vehicles fitted with safety features such as the anti-lock braking system and airbags. However, it is impossible for a carmaker to force buyers to go for these features. These features are expensive and customers could choose to buy a cheaper car with no features. This is an area where regulation would be a good idea.

On GM India's Chinese Partner: GM sold a 50 per cent stake to Chinese partner Shanghai Automotive Industrial Corp in the Indian manufacturing and marketing operations. SAIC is China's largest carmaker with GM and Volkswagen tie-ups.

On the Bangalore Centre: Our Bangalore Engineering Centre is the jewel in GM India's crown. Each one of our recent launches has been re-developed at Bangalore, which brought them up to Indian specifications. From fuel-quality and alternative fuels to the automatic gearbox on the Cruze, they were all developed in Bangalore.

On Launches in 2011: We have a busy launch calendar. We have already launched a new Super Tech engine developed in Bangalore and have a diesel Beat coming soon. Six products are in the line for the next two years. Four cars are coming into India by 2012-end across the product range — hatchbacks, sedans and sports utility vehicles. We will also bring two light commercial vehicles developed by SAIC into India, hopefully this year.

Thumbs Down for 3G

3G services disappoint, but Wi-Fi could power your data

I do not know about you, but the introduction of 3G services across the country has left many people feeling distinctly underwhelmed. Far from living up to its hype of extraordinary performance, the only interesting thing about 3G so far has been some really good advertising.

One major problem with 3G is the absence of roaming. Recently, a colleague, who travelled from Bangalore to Delhi, found himself without any data roaming at all, despite having subscribed to the 3G service of a leading national player which operates in both Karnataka and Delhi. And that is just the beginning of 3G users' woes. Video-calling, at least right now, works only if both parties have 3G services and the same operator.

Download speeds are nowhere near as good as operators had promised and reception is patchy to say the least. This, despite the operators using the best available technologies. For 3G operators, YouTube is the second-dirtiest word imaginable after 'Bittorrent', since these two services gorge on bandwidth, while they scramble for the crumbs.

So what is the solution? Blocking access to YouTube is clearly not one. Well, there are often old-fashioned solutions for new technology problems; in this case, they lie in Wi-Fi. Network congestion, thanks to increased data usage — and despite cramming more and more data into a single megahertz of radio frequency — is a global phenomenon. Mobile networks are inherently limited by the fact that they cover large areas and large numbers of subscribers. The problem is exacerbated in crowded urban areas where congestion is so bad that chances of getting even a voice call through at peak office hours is difficult.

Wi-Fi solves the problem by providing a way for operators to offload their network in congested areas by dovetailing this wireless solution with high capacity media. These areas usually have telephone cables that can carry digital subscriber line signals. Better still, many urban areas have fibre-optic cables with very high bandwidth. Thanks to improvements in technology and Wi-Fi's limited range — 30 metres for most routers, up to 100 metres on some commercial grade routers — it can carry 150 megabits per second, which is six times faster than typical 3G networks. And since more phones and handheld devices have Wi-Fi receivers than 3G receivers, Wi-Fi actually has an advantage in terms of reach.

RAJAT BARAN

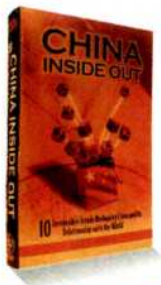
Sure, there are disadvantages too. The most commonly stated one is security — not only can unsecured Wi-Fi connections be used by terrorists, but the low-grade wireless equivalent protection protocol can also be easily hacked for illegal access and stealing data. Users should use the Wi-Fi Protected Access 2 security on their routers as well as 'https' security while accessing e-mail, social networks or conducting online financial transactions.

Wi-Fi also has a short range which did not make it a commercial-grade system for a long time, as service providers found it difficult to wire up offices or residential buildings with multiple routers. But that has changed over the years. A small California start-up called Ruckus Wireless has done some innovative work in setting up "building Wi-Fi" with minimal number of routers. That said, interference between multiple routers as well as with older cordless telephones remains a problem.

As several operators have realised, Wi-Fi works well in offering subscribers a decent wireless broadband experience. And because Wi-Fi spectrum in 2.4 gigahertz and 5 gigahertz requires no licence, there is no problem of auctions or scarce spectrum. Tikona Broadband pioneered it and Aircel has also launched Wi-Fi services in certain cities across the country. Airtel is about to enter the business as well. The future might not be 3G or broadband wireless, but may lie in Wi-Fi. ◆

Behind the Bamboo Curtain

The author points to the grime and sorrow behind the glitz, says Kirit Parikh



China Inside Out: 10 Irreversible Trends Reshaping China and Its Relationship With the World
By Bill Dodson
Publisher: John Wiley & Sons
Pages: 246
Price: ₹1,357

Indians who visit China and see its infrastructure, or read about its trains that travel at 300 km an hour, and power generating capacity additions of 50,000 MW every year, feel envious when they compare India's dismal progress in all these respects against it. This book will help to balance the views of such people as it shows the dark side of China's development. The author is an American, who has lived and worked in China for 10 years or so, and is married to a Chinese.

China Inside Out: 10 Irreversible Trends Reshaping China and Its Relationship With the World describes the degradation of the environment in that country, the lack of freedom, the growing disparities between the urban and rural population, the suppression of Tibetan and Muslim minorities, the dismal state of health care for the poor, and the corruption and arrogance of government officials. Many of these phenomena are part of life in India, too. The focus on them puts China's development, too, into perspective.

In 10 chapters, Dodson points out 10 irreversible trends that will reshape China in coming decades. Each chapter begins with an anecdote based on the chapter's theme. One anecdote describes how a young waitress accidentally kills a government official who was trying to rape her; she is charged with murder, but is saved following a public outcry fuelled by an Internet campaign. Another anecdote tells of how hundreds of people line up from 2 a.m. at a public hospital to get a ticket to see a doctor later in the day. Only a handful get tickets.

China has controlled migration through residence permits, without which no one can migrate to the city. This creates a rural-urban divide and widely differing living conditions. While there is an India and a 'Bharat', people are free to leave 'Bharat' to go to 'India'.

The book also notes China's growing hunger for natural resources and how it is securing access to such resources around the world. Will the host country of such resources allow China access in a crisis, Dodson asks. He does, however, observe that Chinese investment in African countries may have helped the people there more than the aid from Western countries or advice from the International Monetary Fund.

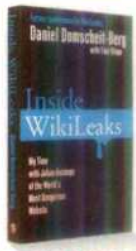
Dodson sees the Chinese government as having changed from a totalitarian one to an authoritarian one. But he says, Chinese society has been historically used to authoritarian rule, so a democratic revolution is not likely anytime soon. Dodson expects the Chinese Communist Party to change gradually but to retain its control. He also admires the strategy of the government to build infrastructure for fuel-efficient transport and its investment in renewable energy as sound strategies to tackle rapid urbanisation.

For Indians, this book provides some comfort: our slower growth rate in a democratic set up — with concern for the environment and human rights, with a government that is accountable to the people, with a watchful media, and rule of law — is perhaps a better way. It is an easy read, albeit marred by some careless errors. ◆

The reviewer is Chairman, Integrated Research and Action for Development

In 10 chapters, Dodson points to 10 irreversible trends that will reshape China in coming decades. And all of them for the worse

BOOKMARKS



Inside WikiLeaks
By Daniel Domscheit-Berg with Tina Klopp
Random House
Pages: 282
Price: ₹499

Domscheit-Berg got sacked from WikiLeaks after differences with the founder. So he spills the beans on a very secretive organisation.

S.U.M.O. (Shut Up, Move On)
By Paul McGee
Capstone/ Wiley
Pages: 204
Price: ₹894

No, that is not what the boss told me. It is about you and how the way you think can determine what happens to your life. The second edition, so must be doing well.

Designation Dilemmas

Employees should be concerned about their job profiles, not their titles

People are so hung-up on titles here," bemoaned a top headhunter recently. I was trying to engage her on the opportunities India was throwing up for the skilled and the talented, and her comment took me by surprise. "I genuinely think the country is throwing up interesting work profiles," she said. "I know suitable candidates for such jobs too, but they often back out when they hear the designations they will get."

The curious thing is that these 'interesting work profiles', that many look down on, often come with handsome financial gains as well. Yet few will accept a designation that includes 'business head' or 'manager' if the current employer — or even the competitor — offers a 'vice president' title. Many have a big mental block about designations that don't sound fancy enough. Nor can they be blamed entirely: the few who do take on jobs they enjoy doing, but come with mundane designations, are constantly ribbed about it by their families and friends.

So how should executives look at designations? Is there a strategy to be followed?

Sure there is. Most good headhunters agree that if employees are not careful, fancy designations can turn out to be traps for them, preventing them from realising their full potential. If the job profile that goes with the designation does not offer any learning opportunities, or leave scope for career advancement, the job tittle is no help. Often, people at senior levels end up designating themselves out of the market — their designations are so grand sounding, it is difficult for many employer to offer anything better. Also, at senior levels, employers may assume a candidate will not want a role with a relatively humble title.

RAJAT BARAN

PITFALLS OF VANITY

1. Fancy designations often trap people, preventing them from realising their potential
2. Sometimes grand-sounding designations can push people out of the job market
3. Employers assume those with grand titles will not care for jobs with humbler titles
4. A designation where the job does not offer any learning opportunity, or leave scope for career advancement, is of no help

Today, smaller companies are getting savvy as well. They realise they need to make an effort to retain talent and thus tend to pack interesting roles into certain profiles that would be unimaginable in larger companies. Hence, the interplay between large and small organisations is changing the dynamics on the recruitment front.

"I often get bright people coming to me for strategic roles in smaller firms," says Gauri Padmanabhan, Partner in human resources firm, Heidrick & Struggles. Sometimes the motive is a comeback bid by those whose attempt at entrepreneurship has backfired. But sometimes people also choose smaller companies as they want to work in an environment where they can make a difference.

The opposite works as well, when the change in title is determined by the move from a smaller outfit to a bigger firm. "A vice president of a smaller company often gets a larger mandate in a global firm as a unit head, though his designation does not always reflect so," says Padmanabhan.

Talent managers caution that candidates should think about these matters. The race to get ahead, and peer pressure often blind people to the fact that obsessing about designations can lead to a career impasse. However, do not let anyone fool you into making a lateral shift that also takes you away from the actual action you were hoping for.◆

National Institute of Food Technology Entrepreneurship and Management

(An autonomous Institution under Ministry of Food Processing Industries, Govt. of India)
3rd Floor, AMDA Building, 7/6 Siri Institutional Area, August Kranti Marg, New Delhi-110049

REQUEST FOR STATEWISE/ CATEGORYWISE/ACTIVITYWISE EMPANELMENT (RFE) OF CONSULTANTS

NATIONAL INSTITUTE OF FOOD TECHNOLOGY ENTREPRENEURSHIP AND MANAGEMENT (NIFTEM) is being set up by the Ministry of Food Processing Industries (MOFPI), Government of India at a cost of approx US $ 120 Million; as an apex world class institute of global standards in Food Science & Technology. NIFTEM's sprawling campus spread across 100 acres is located near NCR at Kundli, Distt. Sonepat, Haryana. NIFTEM Consultancy Division will cater to the needs of entrepreneurs, industry, exporters, policy makers, the government and the existing institutions in the area of Food Processing sector.

NIFTEM intends to empanel competent and reputed consultants in Food Processing Sector to be enlisted on State- wise (for different competencies) for the following resource groups/ Competencies:

A. **Engineering and Technical Consultancy Sector- wise :** Grain processing, Fruits & vegetable processing, Bakery Sector, Fish processing, Dairy products processing, Grape and wine Processing, Quality Control & Quality Standards, Food testing Laboratory, Cold Chain

B. **Competencies for Consulting in the Areas :** Marketing, Machine/ equipment designing/sourcing, Product Development, Event Management, Investment Promotion including FDIs, Legal Expertise, Supply Chain Management

C. **State - wise :** Promoting National Food Processing Policy, customized to the individual state requirements. Consultant invited in and empanelled for one state may take up assignment in other states as well and to extend benefits to Unorganized/ Organized Sector, Consultants empanelled from different states.

D. **Market Research/Market Survey/ Data Management**

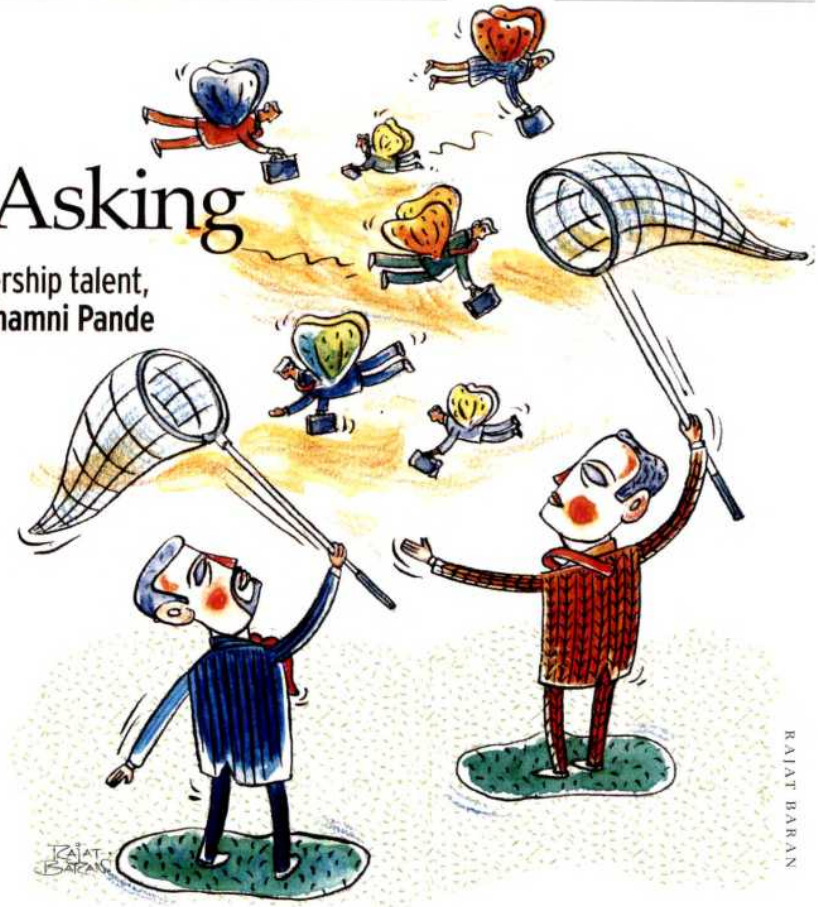
E. **Project Management**

Applications are invited from Individuals/Reputed Institutions/Firms/Consortium showing willingness to be considered for specific States and who meets the minimum eligibility criteria mentioned in detailed RFE available on the website **(www.niftem.ac.in)**. Those who had applied previously and considered for empanelment need not apply again. Last date for submission of relevant documents is **20 May, 2011** latest by **5:00 PM**.

Sudhir Kumar
Secretary, NIFTEM Society / Director, MFPI
Ph.: 011- 26497140-41, Fax: 011- 26497134

Jobs For the Asking

Large companies hanker after leadership talent, SMEs scout for foot soldiers, says Shamni Pande



RAJAT BARAN

Business confidence has been palpable for a while. But now recruiters, who were slightly cautious before, are also beginning to step out aggressively. This is made amply clear by the *BT*-TeamLease Employment Outlook Report for April-June 2011.

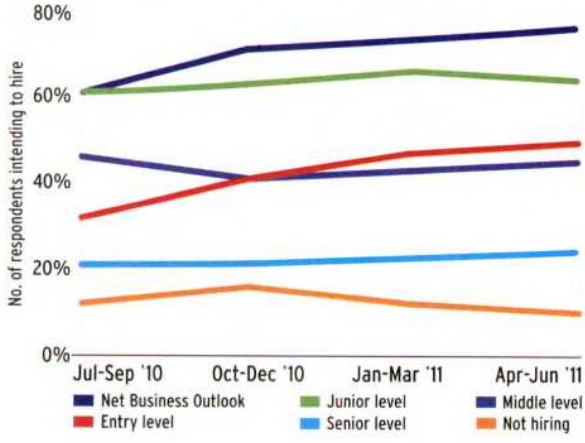
The Net Employment Outlook Index has risen by as many as five points (to 74) with circumspection giving way to cheer. The Net Business Outlook Index has gained less, only three points (reaching 76), which narrows the gap between the two indices. Chennai, Bangalore, Pune and Hyderabad are the cities most upbeat about growth prospects. Employment sentiment in these places has risen to 90 per cent. On the hiring front, Bangalore leads with 86 index points, followed by Mumbai with 74. Curiously, at 69, Delhi sees no increase in its earlier hiring plan.

The good news is that even small and medium enterprises, or SMEs, with up to 500 employees, are seen as prime movers fuelling hiring intent. "What we see is a distinct inching up in demand for talent among SMEs. Many people are required at entry- and middle-level positions, which obviously points to the fact that they are looking at scaling up," says Sangeeta Lala, Vice President of Sourcing, TeamLease Services.

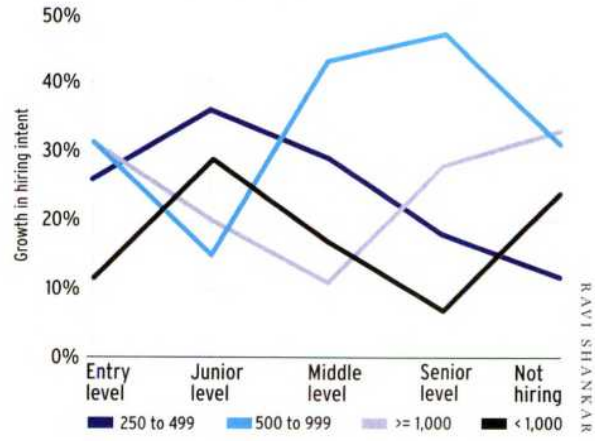
Premjit Singh, Managing Director of the ₹200-crore ANG Industries, an infrastructure firm, says the scramble to bag talent has become the most vital concern of businesses seeking growth. "We are very bullish, and there is little that can spoil the mood. We are looking to hire at all levels,

High on Hiring: How Employment Opportunities are Shaping Up

Hiring intent versus business sentiment



Business size versus hiring intent



RAVI SHANKAR

just as everyone else is doing."

Entry- and middle-level profiles constitute close to 50 per cent of all the new positions. The TeamLease report points to bigger recruitment numbers at these levels than at senior levels (See *High on Hiring: How Employment Opportunities are Shaping Up*). Explains Adil Malia, human resources head at Essar Group: "Large, established companies such as ours will go for hirings at junior levels. We want to take good people and then train them for leadership. For senior levels we are looking within."

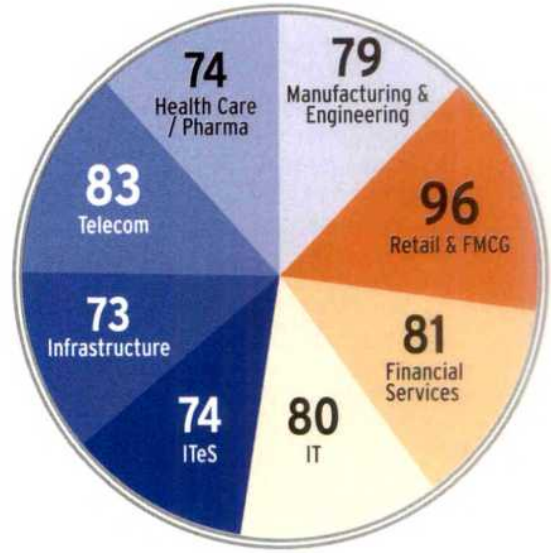
But, this may not be true for companies that are diversifying into new areas — often completely outside their traditional strengths. "Obviously these companies are going to scout for specialists and leadership talent from outside, often poaching people from other companies," Malia says.

To download the full report log on to
www.businesstoday.in/jobsoutlook

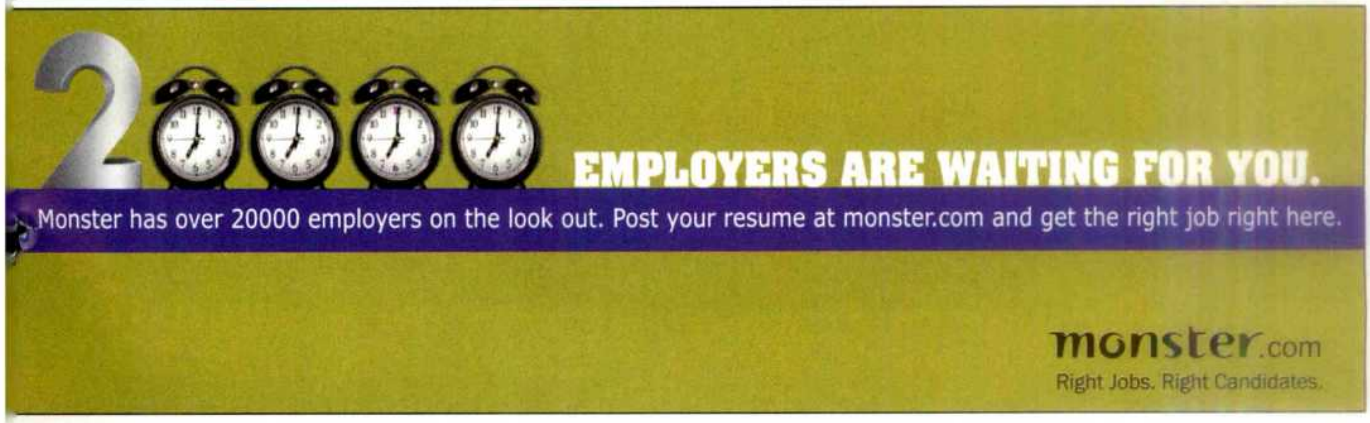
Among the sectors, technology and communication companies are seen to be pulling out all the stops. Retail and fast moving consumer goods are seen steady by the TeamLease survey, while infrastructure is seen to be adding to hiring intent. Sunil Goel, Managing Director, Global Hunt, validates the assessment: "What we notice is that IT companies are building on-bench strength and people are getting multiple offers, but insurance and retail are conservative in their hiring intent."

The going looks set to be good. The *BT*-TeamLease forecast is that hiring sentiment is bound to pick up even more across sectors and cities in coming days, and that blue collar workforce will drive this push. ◆

Methodology



The *BT*-TeamLease Employment Outlook Survey, which follows a rigorous, statistically validated process, was conducted among 640 respondents. The companies were selected from the Kompass Directory for small, medium and large companies in the private sector, from NASSCOM for information technology, or IT, companies, from companies registered with www.bpoindia.org for IT-enabled services companies, and the National Stock Exchange, or NSE. Care was taken to ensure a good mix of large, medium and small companies as also an equitable representation across industries to remove any bias or variation that might be attributable to a particular industry. The target respondents at these companies were the HR heads or decision makers in the hiring process. Given the concentration of companies in Mumbai, Delhi, Kolkata, Chennai, Bangalore, Pune, Hyderabad and Ahmedabad, the study was restricted to companies with a presence in these cities. A random sampling was drawn from each city with due weightage to size. Two indices, the Employment Outlook Index and the Business Outlook Index, were computed to elaborate and analyse the trends that emerged from the data. ◆



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Web Services Manager
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ETL Architect
Location: Pune
Job ID: 9390888
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Infineon Technologies India Pvt.Ltd
Business Development Manager
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Job ID: 9482628
Description: Responsibilities: Evaluate new business models & opportunities for Industrial Power; Develop and manage key customer accounts in industrial power segment etc.

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QA Manager
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Markwin Global
Vice President-Human Resource-FMCG
Location: Karnal
Job ID: 9246420
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Location: Bangalore
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Description: Applicant must have relevant experience in SAP FICO; knowledge of General Ledger Accounting, Accounts Receivables, Accounts Payable.

Quadlabs Technologies Private Limited
Server Administrator
Location: Noida
Job ID: 8818724
Description: Administrator should have good grasp over understanding of Hosted Environment where multiple clients /accessing Cluster of Enterprise Applications over global IP.

Pegasystems Worldwide India Pvt. Limited
Technical Instructor
Location: Hyderabad
Job ID: 9445412
Description: Candidate will assist curriculum development with the development effort and assist in developing education marketing collateral.

UST Global
Liferay Developers
Location: Bangalore
Job ID: 9469000
Description: Strong knowledge of Liferay, JSR 168, Portlet development, Portlet Bridges, designing themes and layouts Good understanding of Java/J2EE concepts Knowledge of Web logic server, Oracle database and Eclipse IDE.

Nokia India Pvt Ltd
Sr. Configuration Specialist
Location: Chennai
Job ID: 9530722
Description: 4 years of application development experience in SAP R/3oVariant Configuration experienceoBC400 level ABAP knowledge, debugging Certified in MM or PP

Infrasoft Technologies Limited
Software Engineer/ Programmer
Location: Mumbai
Job ID: 9382794
Description: Person must have Knowledge of Java design patterns and experience is JSP, JSF, EJB, Struts, Ibatis, and Hibernate etc. Experience in JMS (Java Messaging Services).

Broadridge Financial Solutions (India) Pvt Ltd
Sybase DBA
Location: Hyderabad
Job ID: 9483388
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Murugappa Group
Area Sales Manager
Location: Kolkata
Job ID: 9533398
Description: Responsibility: Manag Training and Handhold the Team to gene maximum Productivity to meet the assig Targets.

Sandvik
Business Analyst
Location: Pune
Job ID: 9537536
Description: Duties: Support offering development manager in setting up and executing projects. Conduct internal and external benchmarking and market analysis. Provide relevant product portfolio etc.

ACS, Inc.
Sr. Sales Executive
Location: Bangalore
Job ID: 9029357
Description: Currently seeking a Sr. S Executive to be based in India-Bangalor become a part of our rapidly grow Transportation Solutions Group Sales T (TSG).

Photon Infotech Private Limited
Sr Business Development Manager
Location: Chennai
Job ID: 9499876
Description: Task: Identifying, generating new business opportunities, clients for the range of Services with respect to IT industry.

Religare Technova IT Services Ltd
Marketing Supervisor
Location: Noida
Job ID: 9515184
Description: Candidate will be respons for: Supervision of field workers; Plan marketing activities and execution; should h good have good communication skills.

India Mart
Marketing Executive
Location: Chennai
Job ID: 9407902
Description: This role is primarily responsible for new client acquisition and business development. Ensuring that the Sales Targets are met .Development of New Clients and/ or markets.

Network Appliance Systems (India) I Ltd
Pursuit Business Development Manager
Location: Bangalore
Job ID: 9451066
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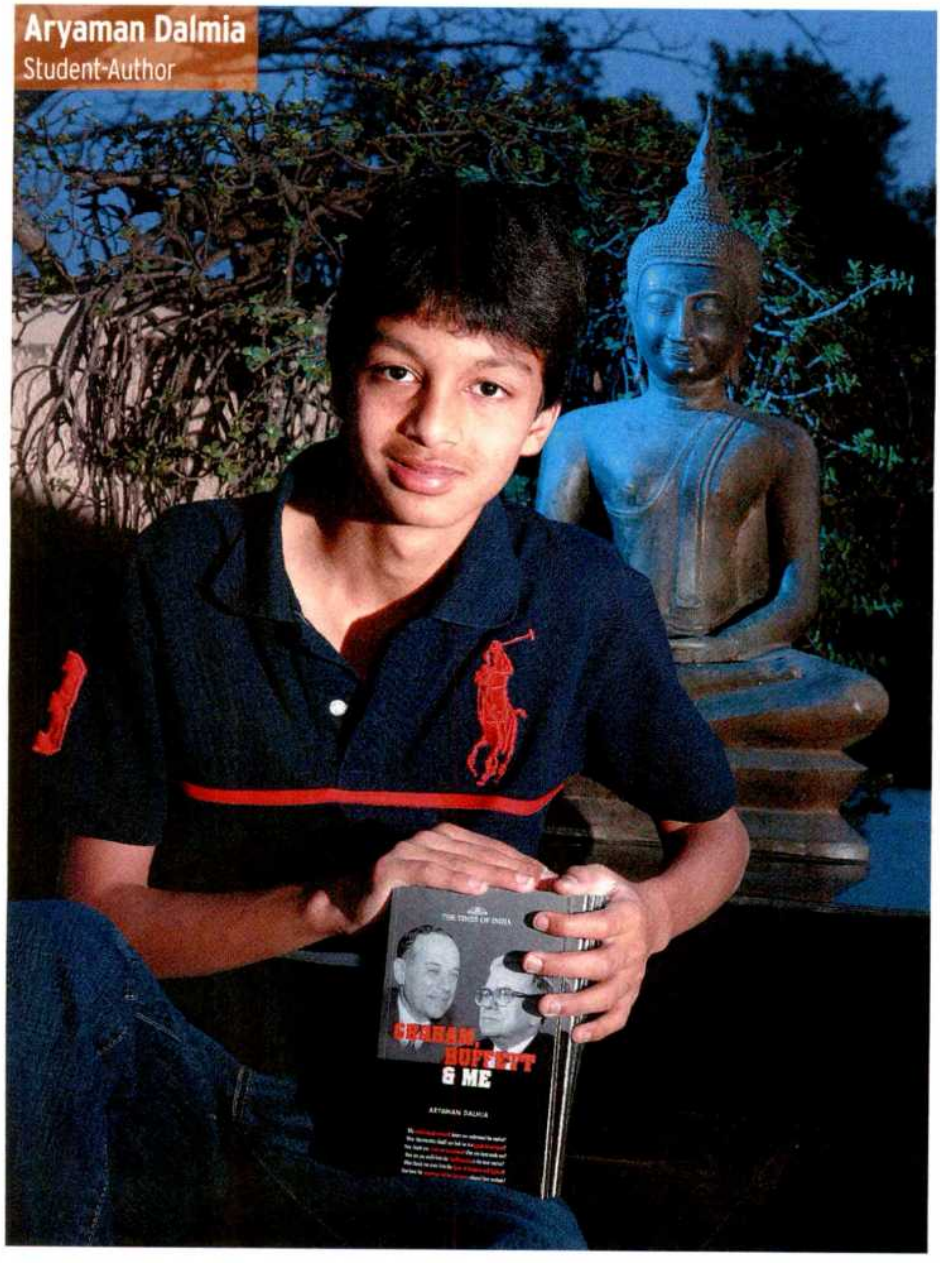
Buffett Acolyte

Among the privileged few who had interactions with Warren Buffett when he visited India in March, was **ARYAMAN DALMIA**, who met the billionaire investor for a full 15 minutes. What prompted the meeting? A book, titled *Graham, Buffett & Me*, Aryaman, 14, has just written. It profiles Indian investors and was sparked off by a newspaper report on Buffett that Aryaman's father — Landmark Holdings CEO and private equity investor Gaurav Dalmia — suggested he read. His interest whetted, Aryaman did not stop with the report. He read the standard Buffett biography *Oracle of Omaha* and a few more books on the world's third richest man before penning his own. "I never thought I could write a book, and that too about investors," he says. "I knew a couple of investors and my uncle introduced me to some more. I have written on how these Indian investors followed Buffett and have been successful." Will he grow up to be an investor, a full-time author, or both? Too early to tell.

TASLIMA KHAN



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Albert Hieronimus
Non-Executive Chairman, MindTree

Ashok Soota
Founder & MD, Happiest Minds

DEEPAK G PAWAR/WWW.INDIATODAYIMAGES.COM

Face-off Ahead

That **ASHOK SOOTA**, 63, quit MindTree, the company he founded in 1999 along with eight others, because his relations with his co-founders soured, is apparent from the initial business plan of his new start-up, Happiest Minds. The new outfit is clearly aiming at MindTree's business. "I don't have a non-compete clause with MindTree," says Soota, adding: "We want to be the fastest Indian IT services firm to reach $100 million in revenues." For those in the know, this is again a potshot at MindTree, which achieved that target in a record six years. Meanwhile at MindTree, the remaining founders are busy adjusting to life after Soota. Their first step has been to appoint **ALBERT HIERONIMUS**, former chairman of Bosch India, as Soota's replacement. "I bring management experience and knowledge of global markets to the table," says Hieronimus, 62.

RAHUL SACHITANAND

Small Screen's Big Man

RAJESH KAMAT, 37, seems to be the 'launch man' of India entertainment industry. After successfully launching Colors for Viacom 18, he is all set to unveil the India operations of Peter Chernin's CA Media. He will take over as CEO of CA Media after June. From a management trainee at Coke in 1997 and later brand manager at Thums Up, Kamat has come a long way. As the architect of Colors, he had a clear mandate — the channel should cement its position among the top three channels within a year of its launch. Colors broke Star Plus's hegemony within nine months and rest, as they say, is history. The channel has given some of the biggest hits of the small screen like *Balika Badhu* and *Bigg Boss*. "Media and entertainment sector is bustling. My new job will give me the opportunity to create a blueprint for leveraging such opportunities," he says. One just has to see whether he can create the same magic for Chernin that he did for Viacom 18.

ANUSHA SUBRAMANIAN

Rajesh Kamat
CEO, Colors

RACHIT GOSWAMI

Soft Drinks' Czarina

She discusses the subject so knowledgeably that anyone meeting **NADIA CHAUHAN** for the first time would think she had spent at least 15 years in the food and beverages business. It comes as a shock to learn she is only 25. But her grasp of the business is not surprising: as a child, the youngest daughter of Parlé Agro Chairman Prakash Chauhan spent her summer holidays sitting in on company marketing meetings. Today, she is the marketing brain behind the host of launches by the company since 2009. Parlé Agro has launched several new brands such as LMN (a non-carbonated lemon drink), Hippo and Grappo Fizz in these two years. Recently, after more than a decade, it re-entered the soda segment with Bailley Soda. "In the last three years, we have launched several products. Our focus will be on consolidating our operations on these fronts," says Nadia.

T.V. MAHALINGAM

Nadia Chauhan
Chief Marketing Officer, Parlé Agro

UMESH GOSWAMI/www.indiatodayimages.com

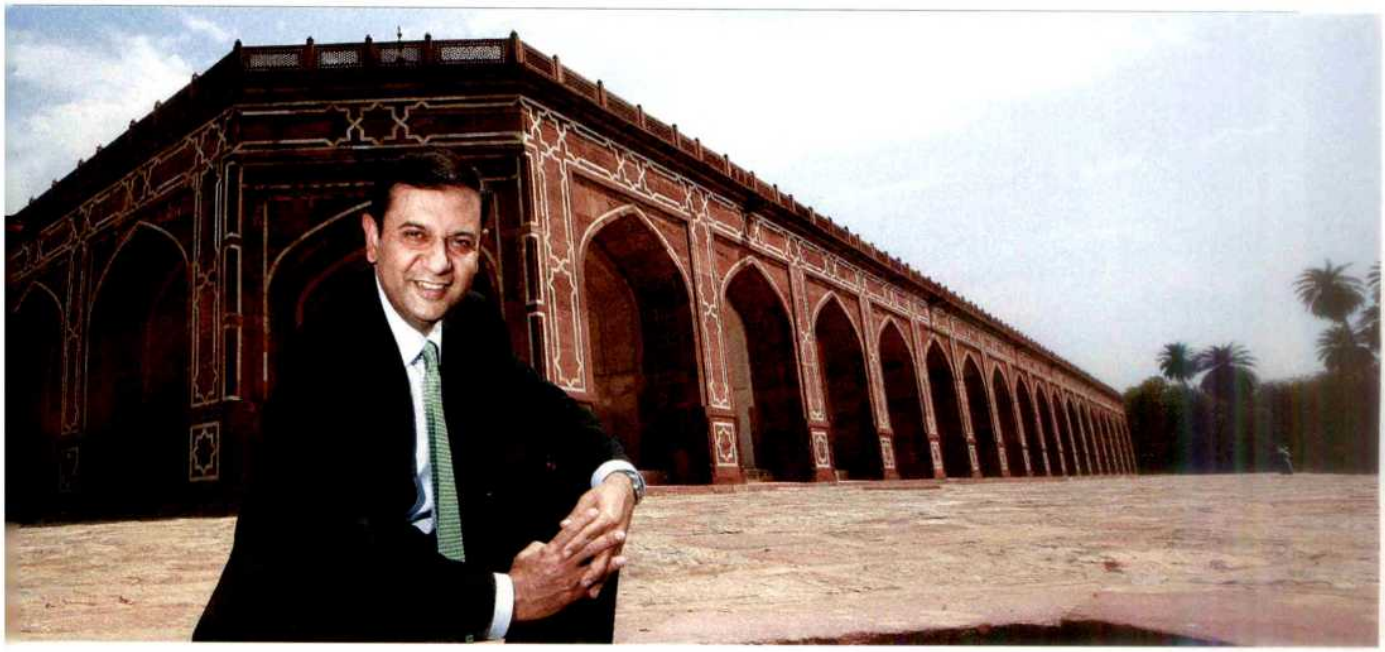
Rohit Kapoor
CEO, EXL Service

SHEKHAR GHOSH/www.indiatodayimages.com

Dreaming Big

ROHIT KAPOOR, President and Chief Executive Officer of EXL Service, plans to make his $250-million company a $1-billion services major in seven years. For inspiration, he has Infosys and Cognizant as examples. Kapoor, however, rues the fact that EXL co-founder Vikram Talwar has stepped down as Executive Chairman and taken on an advisory role as the non-executive chairman at this juncture. "I will become lonelier," says Kapoor. Why? With his ambitious plans for the company, he could have used all the advice from Talwar.

SUNNY SEN



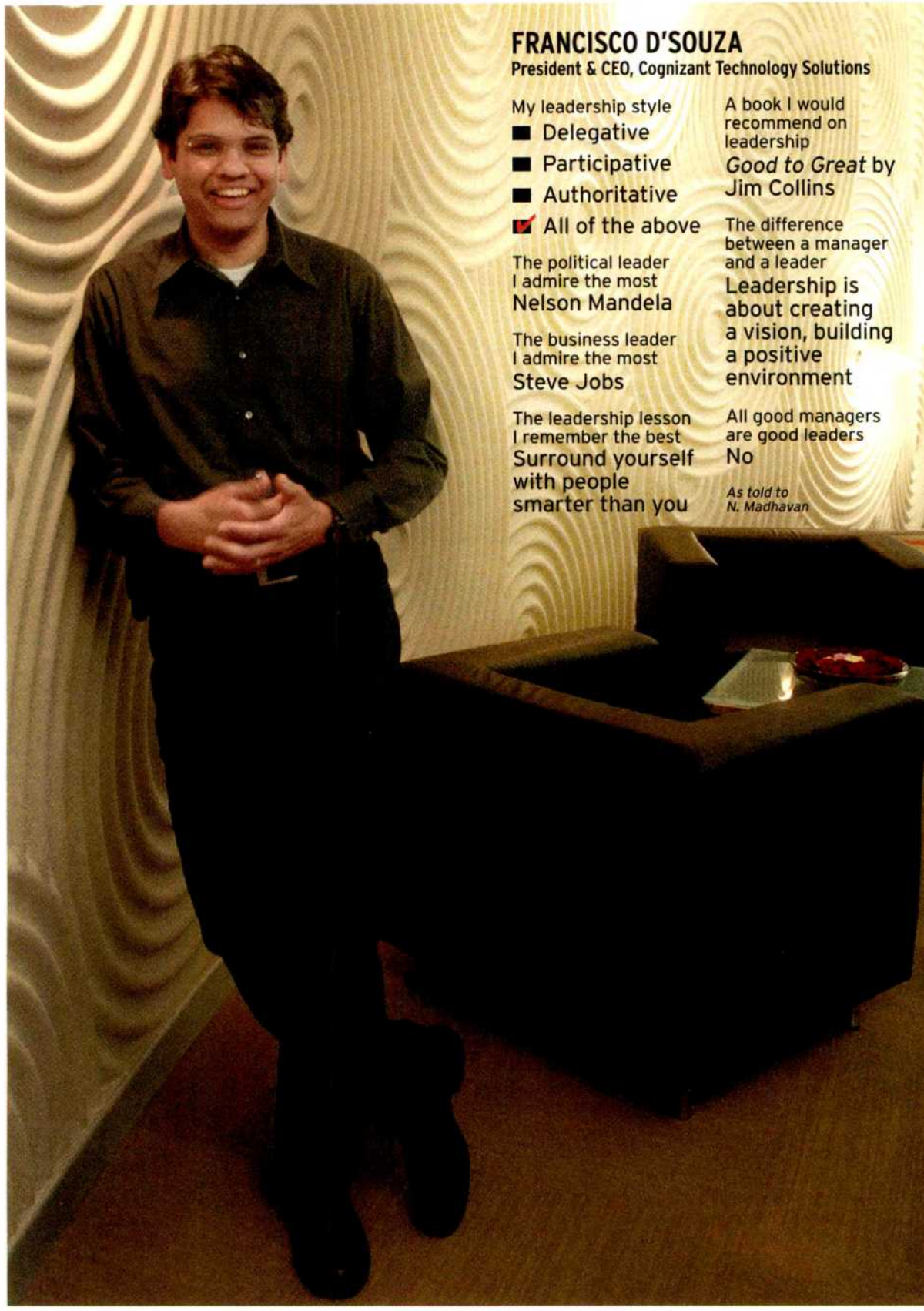
MONEY SHARMA/www.indiatodayimages.com

Alistair Hughes
MD, Savoir Beds

Bedroom Story

Did you know pop icon Madonna's bed travels with her? Singer Sir Elton John, TV mogul Oprah Winfrey and Harry Potter star Daniel Radcliffe are all besotted with their beds, too. All of them use beds made by Savoir Beds, a London company that has been manufacturing luxury beds, complete with handcrafted mattresses and box springs since 1905. "We use horsetail hair for the mattresses. The hair, when manually curled, acts like a spring," says **ALISTAIR HUGHES**, Managing Director of Savoir Beds. Hughes bought the beds' division from the Savoir Group in 1997. His first showroom in India opened at Delhi's upscale The Gallery recently. Hughes is not looking for scale — he says he would be happy to sell just eight beds a month. At between ₹6 and 40 lakh each, that should make for a neat pile.

SUNNY SEN



FRANCISCO D'SOUZA

President & CEO, Cognizant Technology Solutions

My leadership style
- ■ Delegative
- ■ Participative
- ■ Authoritative
- ☑ All of the above

The political leader I admire the most
Nelson Mandela

The business leader I admire the most
Steve Jobs

The leadership lesson I remember the best
Surround yourself with people smarter than you

A book I would recommend on leadership
Good to Great by Jim Collins

The difference between a manager and a leader
Leadership is about creating a vision, building a positive environment

All good managers are good leaders
No

As told to N. Madhavan

H. K. RAJASHEKHAR/www.indiatodayimages.com

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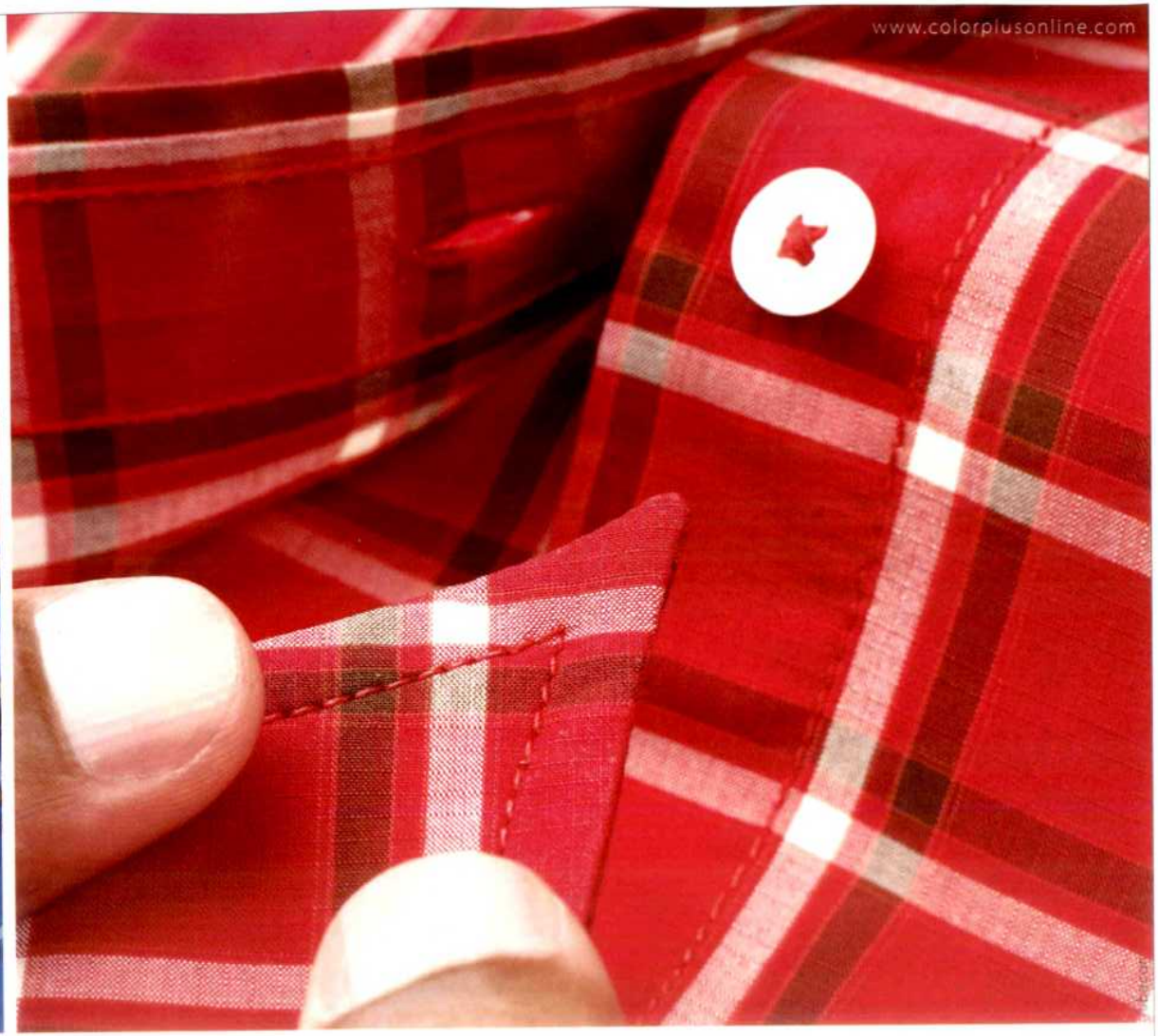

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The featured shirt has an exquisite checked pattern of 60s and 2/80s cotton with a unique ribbed structure. Back collar with yoke, side seams and centre placket have been matched to create a balanced look. Details like pocket serging, button shanking and wrapping make this shirt a masterpiece worthy of you!

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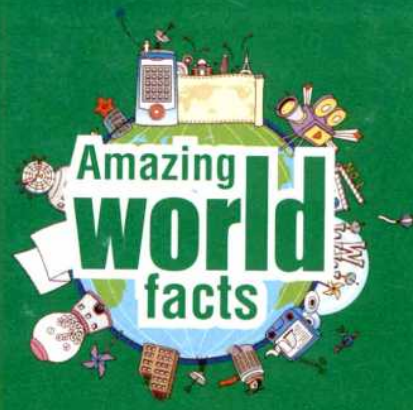

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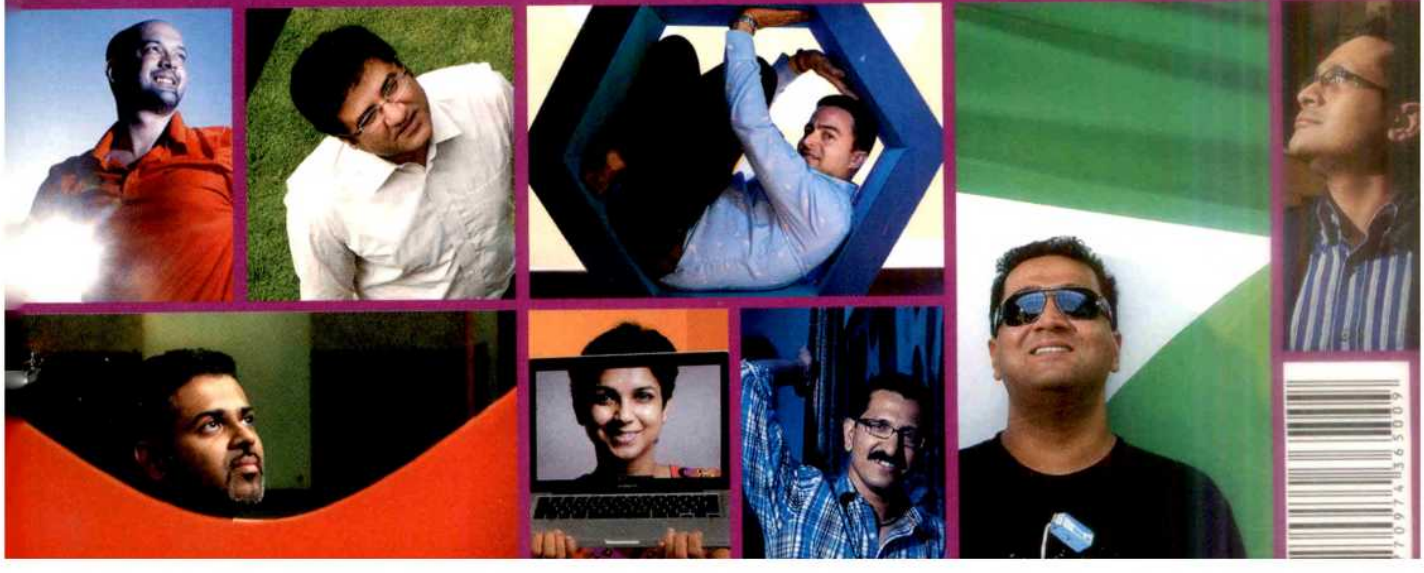

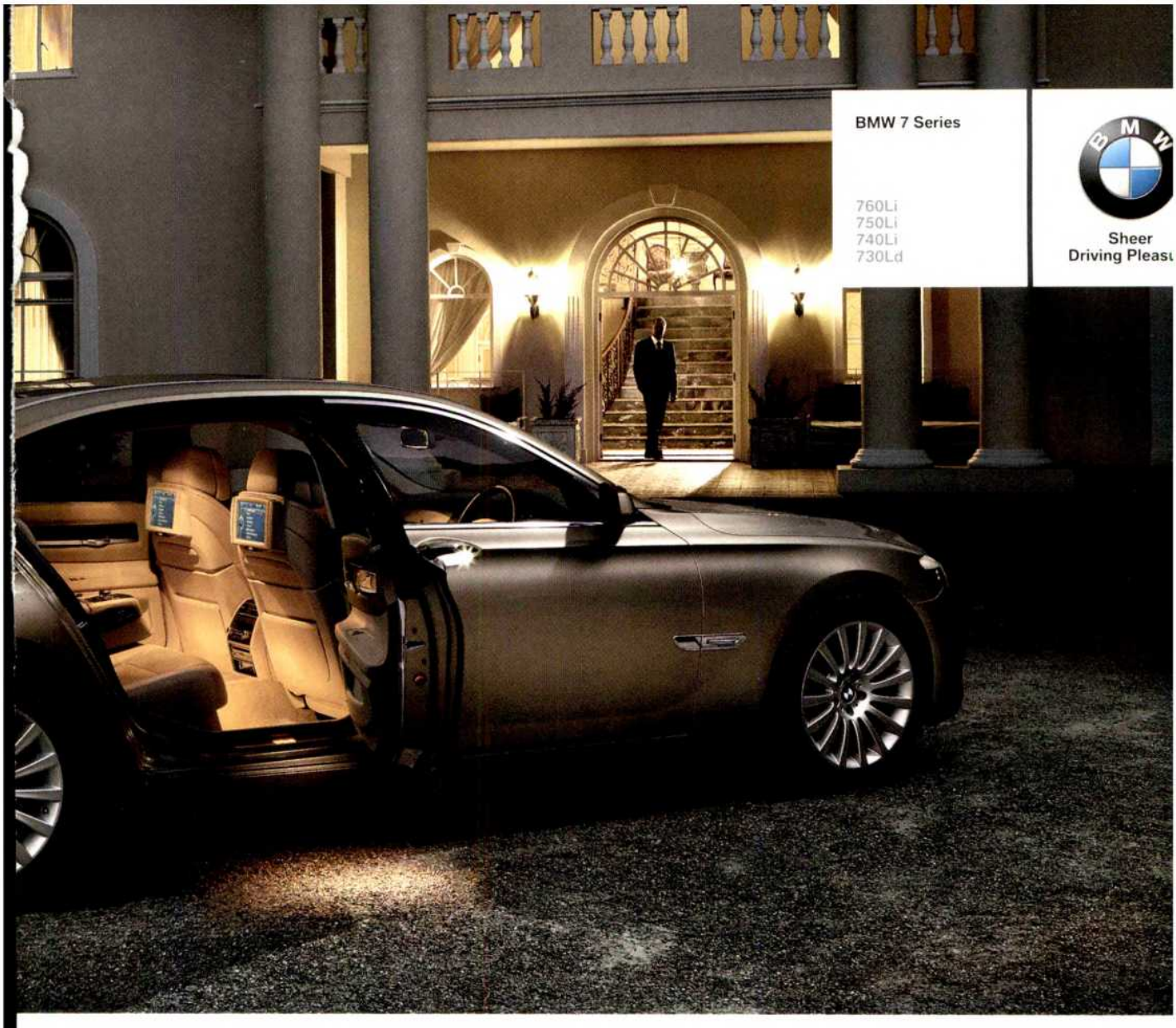

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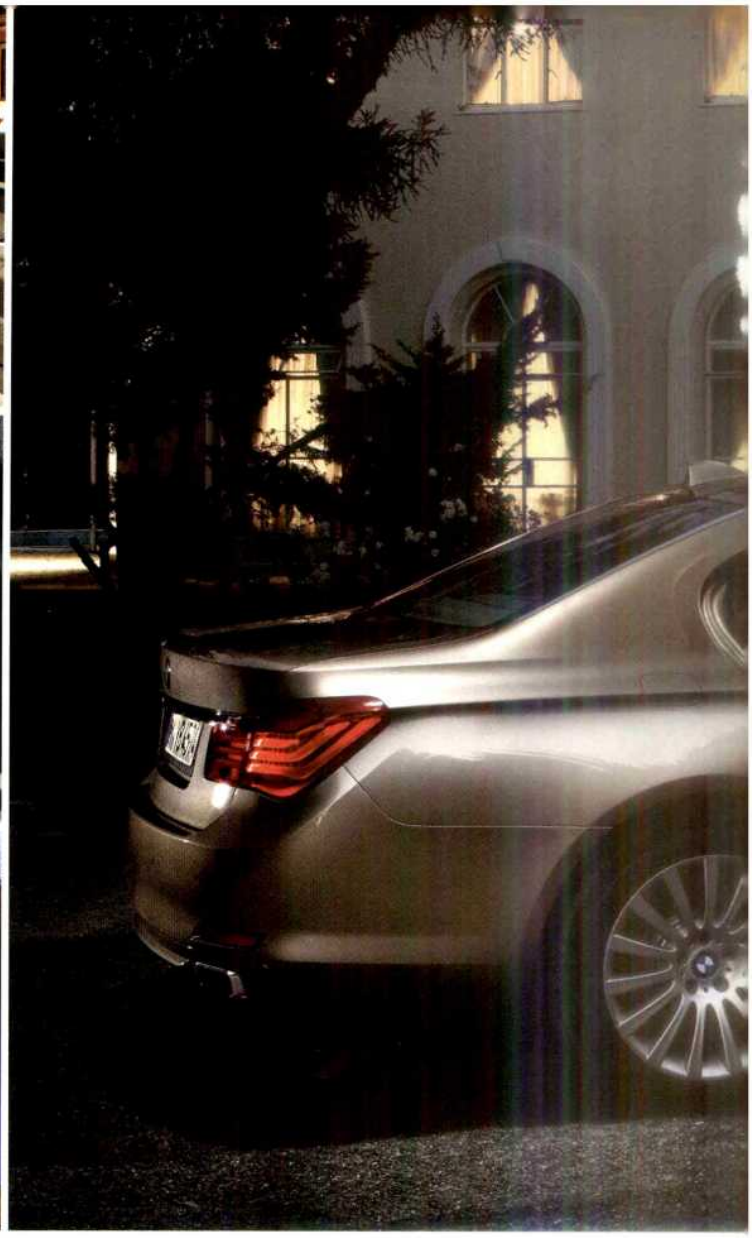

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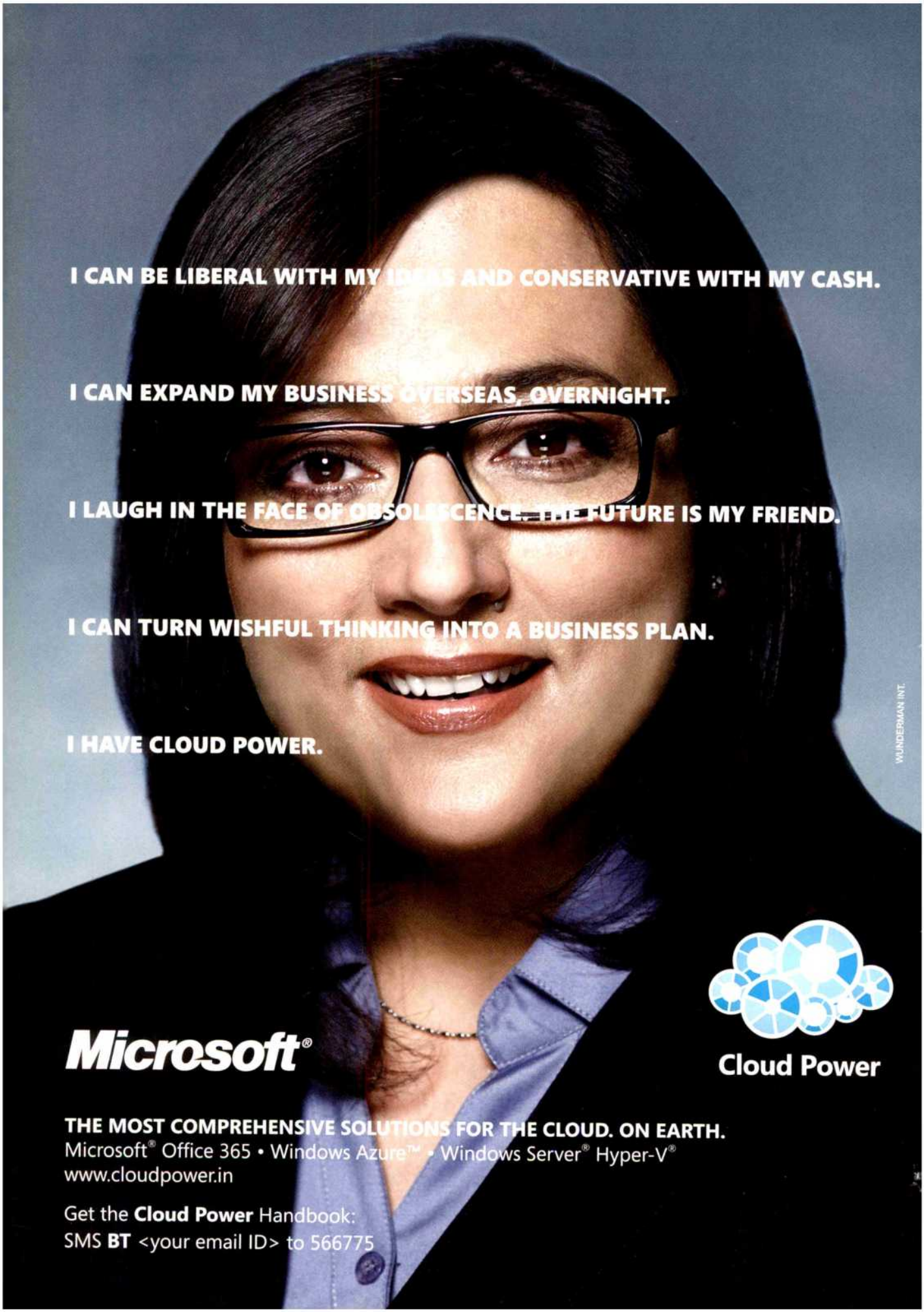
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From the Editor

Ssssay now ... what we have we here?" hisses Kaa the snake in *The Jungle Book*, smacking his lips over Mowgli. "Jusssst you wait till I get you in my coils!"

Corruption certainly seemed to be strangling the Incredible India magic this fortnight. It began with nationwide conniption over corruption as Anna Hazare broke his fast and the government agreed to set up a joint committee to draft a new Jan Lokpal Bill. It ended with the unedifying spectacle of five senior telecom executives charged with complicity in the 2G spectrum case heading into Tihar Jail.

Along the way came news of inflation hitting nearly nine per cent in March, and industrial output growth slowing to 3.6 per cent in February. Over at Infosys, there were actually signs of ruction ahead of an April 30 announcement of a new leadership team (page 34).

But wait! All is not woe. The cheerleaders are whooping it up at the Indian Premier League cricket matches, and we have a case study on how Mahendra Singh Dhoni's cool, simple and instinctual management style has led India to the pinnacle (page 106).

At *Business Today* we try to interpret the markets as they rise and roll in a turbulent world. We bring you a crisp analysis of how, thanks to good trade numbers, the rupee has held steady and bucked rising global oil prices (page 42).

You will also be cheered by one of our annual favourites – the listing of some of India's best young executives under the age of 40. This is the seventh time *BT* has run this popular roll-call, and as always, our team of writers had a lot of fun writing about these achievers. We started with a list of 25, but three of them had to hide their lights under a bushel thanks to publicity-shy employers. I was looking through our archives and noticed that our first listing of HYEs in 2002 had to raise the age limit to 42 because the numbers fell short. Nine years later, with a younger and more confident India starting to take charge, we don't have the same problem. But one characteristic has disturbingly not changed much – the gender imbalance. We have only three women in our list of 22 this year, only a little better than one in the original 25. Read all about them starting on page 50, and enjoy the great pictures, many of them shot by Photo Editor Vivan Mehra, who also photographed the first group.

But the promise of great advancement that stories like these hold out can easily be sullied by an amoral political class. Former Supreme Court Chief Justice M.N. Venkatachaliah writes in a wise essay on page 46: "Politics must rise above politics of vengeance, politics of retaliation and politics of hoodwinking people." If only all the politicians who stood for election in several states in April would pay heed to words like these. By way of contrast, consider the rebellious Y.S. Jaganmohan Reddy in Andhra Pradesh, whose assets ballooned tenfold to nearly ₹366 crore in just one year, while over in the United States, the first family reported their income had actually fallen about 68 per cent to $1.7 million (about ₹7.65 crore) in 2010, the second year of Barack Obama's presidency.

Chaitanya Kalbag

www.businesstoday.in/editor

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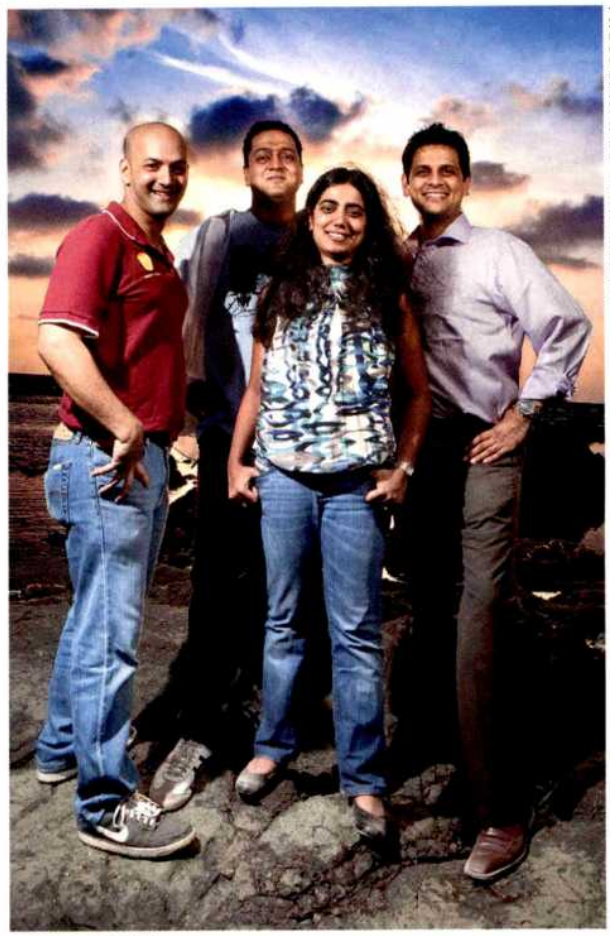

PHOTOGRAPH BY VIVAN MEHRA

COVER BY KAPIL

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Future imperfect

Even as horrific images of the disaster that struck Japan continue to linger in our minds, we can just wonder what would happen if a similar disaster were to strike India. BT cover story, *Ready for Doomsday?* (May 1, 2011) highlights how companies are equipped to fight disasters like this. The Japanese double disaster is testimony to the fact that a reliable early warning system, state-of-the-art infrastructure and a strong political commitment can go a long way in saving lives during a disaster. Our government recognised the urgent need for proactive and effective disaster management systems. However, it is a cause of great worry that many of the proposed measures towards preparedness are lagging behind or suffering due to lack of political will.

Jacob Sahayam, *Thiruvananthapuram*

Timely intervention

Within a month after a magnitude 9.0 earthquake struck Japan, India experienced two moderate tremors. Were these warnings? Experts say, they were, and they say Indians need to be more prepared to deal with natural and man-made calamities. BT cover story, *Ready for Doomsday?*, shows what all can happen and how companies are prepared to face a disaster. It is important to launch an awareness campaign to prepare Indian households too. People staying in quake-prone areas should be all the more alert.

J.K. Das, *Delhi*

It is a cause of great worry that many of the proposed measures towards preparedness are lagging behind or suffering due to lack of political will in India

Battleground

Danger Ahead (May1, 2011) was indicative of the future of HP and Dell in the face of competition from Apple with its new gadgets and newer applications. Apple had a technology transfer agreement with IBM in the desktop domain to come up with Power Mac G5 and has subsequently surpassed IBM. HP's acquisition of Palm would enlarge its basket of services through Web OS apps but its acquisition of Vertica performing real time analyses and Dell's buyout of KACE will not carve a niche because IBM has an edge over both in cloud computing. Both companies need to struggle a lot to prove their futuristic claims. For Apple to claim its overall supremacy, it must realise that as long as IT and ITeS services are not available for commoners, it is definitely not going to rule the market.

B. Rajasekaran, *Bangalore*

www.businesstoday.in@coverstory: *Are We Disaster Ready* (May 1) on how well Indian companies are prepared to face natural and man-made disasters

www.businesstoday.in@coverstory: *India's New Business Families* (April 17) on the entrepreneurs who rode the liberalisation wave

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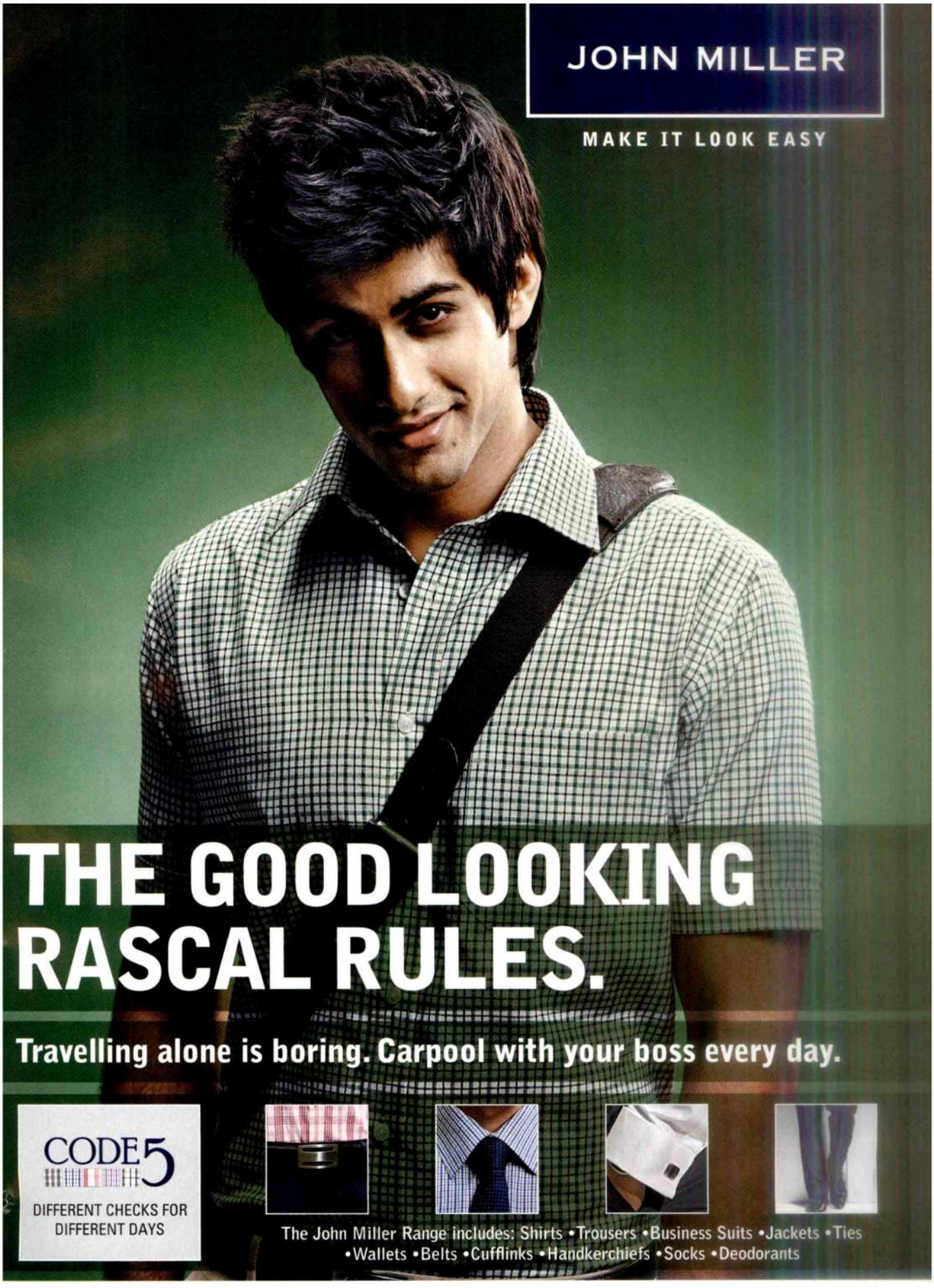

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The first-ever *BT C fore* BCI survey is out! Business confidence is running high, at 74.8. Most businesses are optimistic about the future, according to 500 CEOs and CFOs across industries. Log on to see how these movers and shakers in the business world feel about the outlook for inventory, profits and hiring.

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Into the Cloud

Hewlett Packard CEO Leo Apotheker tells *Business Today* about his plan to create an alternative operating system, without compromising HP's other businesses.

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Five Year Glasses

Michael Dell says today's Dell is nothing like it was five years ago. The company has acquired a healthcare IT business and plans to focus on services.

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E. Kumar Sharma
On the Merck-Sun Pharma deal and what it could mean for the Indian pharma industry.

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Prepared for the Worst

Post-Fukushima, *BT* looks at whether Indian companies are ready for disaster – be it in the form of a tsunami, a terrorist bombing, or a deadly computer virus.

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Advice for Manmohan

Often cited by the Prime Minister as one of the economists he most admires, Jagdish Bhagwati pulls no punches when asked what advice he would give the PM if it was sought. Listen in.

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On Road, in a Truck

We ride along on a goods truck from Chennai to Mumbai to find out if the much-hyped new four- and six-lane highways have eased the pain of long-distance transport.

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Infosys' Almost-CEO

Mohandas Pai, long considered N.R. Narayana Murthy's blue-eyed boy, stepped down from the company to focus on a nation-building project of his own. *BT* examines what his departure might mean.

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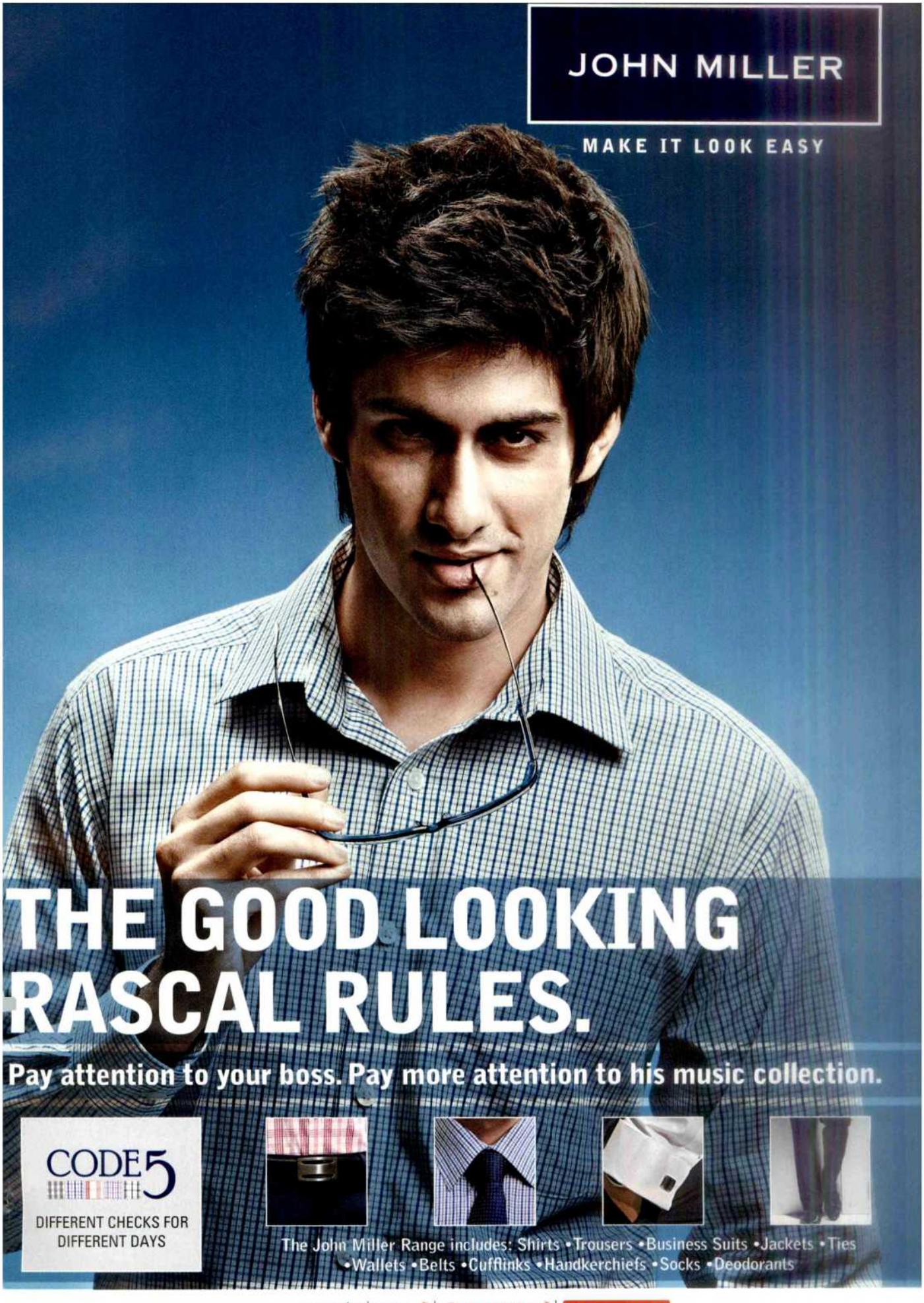
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Lowering the Bars

PHOTOGRAPH BY PTI

End game: Surendra Pipara (left) of Reliance ADAG, Unitech Wireless MD Sanjay Chandra (centre) are among the latest businessmen to join former telecom minister Andimuthu Raja in jail.

Corporate

Aditya Birla Group Chairman Kumar Mangalam Birla runs a bunch of cash-rich companies. Even so, his buying binge within a week in April would count as a walletbuster anywhere. Just after swooping up the chloro-chemicals unit of Kanoria Chemicals & Industries for ₹830 crore in cash, he sealed a deal for Swedish pulp maker Domsjo Fabriker paying $340 million, or ₹1,530 crore. Three months earlier, he had bought Columbian Chemicals for $875 million. Growth through buyouts, it seems, has become a way of life for the 43-year-old AV Birla chairman.

Diversified conglomerate Tata Group has matching ambitions, too. Its goal is to double its revenues to $150 billion in five years, says Tata Industries MD Kishor Chaukar. At today's prices that is one-sixth of India's GDP. To get there, the group will invest ₹1.2 trillion (one trillion = 100,000 crore) across power, steel, automobiles, telecom and steel.

Anil Agarwal of Vedanta Resources can be in a hurry at times. So, without waiting for the government's nod for its $9.6 billion buyout offer, Vedanta has bought 10.4 per cent in Cairn India from Malaysian state oil company Petronas.

The world's largest mobile phone firm by revenues, Vodafone Group is keen on listing its Indian arm. The caveat: CEO Vittorio Colao says the company's dispute with income-tax authorities over a $2.6 billion claim must be settled.

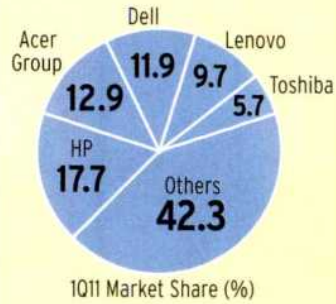
If India is a booming auto market, it must be one for tyres, too. Continental AG, with sales of $37.5 billion, certainly thinks so. It has inked a pact to buy Modi Rubber. Terms not disclosed.

In what is becoming a routine affair, another Indian executive has taken the corner room in a global firm. Rakesh Kapoor joined the ranks of CEOs PepsiCo's Indra Nooyi and Vikram Pandit of Citigroup when Reckitt Benckiser gave him the top slot. An alumnus of BITS Pilani and XLRI Jamshedpur, Kapoor worked at India's CEO factory of the 1980s and 1990s, Hindustan Computers Ltd – called HCL today.

Leela Group's C.P. Krishnan Nair is all panache and guts. Add candid to that. Nair says his hotels empire and he will not hesitate to reach out to Reliance Industries's Mukesh Ambani if faced with a hostile takeover by cigarettes-to-hotels group ITC. An overleveraged Leela has left Nair, a 89-year-old retired army captain, and his family in control of less than a third of the group. Ambani will have to be a friend in deed *not* to take over Leela.

TABLET ERA

Blame it on tablets. Personal computer shipments have declined 1.1% in the first quarter to 84.3 million units. Hewlett Packard retains its No. 1 spot but who cares? The iPad enjoys top-of-mind recall.



1Q11 Market Share (%)

Data includes desk-based PCs, mobile PCs, mini-notebooks but not media tablets such as the iPad. Figures are number of units

Source: Gartner, April 2011

Facebook founder Mark Zuckerberg won a case against him by two Harvard ex-mates. Twins Cameron and Tyler Winklevoss, who say Zuckerberg filched their start-up idea for a social network. They wanted to reopen a 2008 $65-million settlement. When a idea is worth $50 billion, it hurts.

From Aston Martin With Love. No, that is not the name of the next James Bond flick. The MI6 spy's favourite car will sell in India at a range of ₹1.35 crore to ₹20 crore. Aston Martin hopes a quarter of its sales will come from Asia in five years.

Talking of big brands and big hype, Apple has filed a patent infringement suit against Samsung. Subject: iPhone and iPad design. Apple is not flattered that Samsung's Galaxy line is, in the US firm's eyes, a copy.

Economy

It's monsoon time again. The India Meteorological Department says there is low probability of deficient rainfall between June and September. That is good news, but wait for further updates from the weatherman.

The crusade by anti-corruption activists looks like it is running out of steam with details emerging of prime movers Shanti Bhushan and son Prashant being allotted government land bypassing auctions. The Bhushans were at the forefront of the Lokpal Bill agitation.

Reverse brain drain will be one of the top trends in the world in the coming years, says Frost & Sullivan. This will benefit India as a steady flow of foreign nationals and migrants return home to fill senior-level positions.

Prime Minister Manmohan Singh wants exports to China, India's biggest trading partner, to cross $100 billion by 2015. The two countries along with Brazil, Russia and South Africa at a recent summit favoured trade in local currencies, not the US dollar.

37.5 %

Surge in India's exports in 2010-11. The record exports at $246 billion, surpassed the target of $200 billion.

$934.3 bn

The value of global M&A deals so far this year. At a four year high, it is seen as an indication that a global recovery is firmly underway. Telecom was the targeted sector.

$1.4 bn

Or 23 per cent projected growth of India's domestic market for business process outsourcing this year, according to Gartner.

1 mn

The number of millionaires in China, says a report by GroupM.

Markets

The Standard & Poor's downgrade of long-term ratings on US sovereign debt, citing worries about the country's mounting budget deficit, came as a shocker to President Barack Obama all right, but it is good news for emerging markets where global fund flows are expected to head. Grim Obama, grin India.

Still, private equity flows are yet to pick up. PE firms have invested $1.5 billion in India in the January-March period, according to Ernst & Young, compared to $2.2 billion during the same period last year. A majority of the 96 deals is in the infrastructure sector. Now, wait for the smooth ride to office, fewer power cuts, better water supply....

State Bank of India, the country's largest lender, meanwhile, has hiked its benchmark lending rates by 25 basis points. The move will make all loans, including home finance, more expensive. And, yes, SBI has wound up its teaser rates finally under pressure from the Reserve Bank of India.

Coming Up

- The big fat royal wedding is due on April 29 and business is warming up. The Prince William-Kate Middleton union is estimated to fetch millions as spending on food, drink, tourist, merchandise rockets.
- Analysts predict a rise in interest rates when the RBI announces its monetary policy on May 3. Deputy Governors Shyamala Gopinath and Subir Gokarn have already said inflation is a concern.
- The finance ministry will hold its annual review of public sector banks in Delhi on April 26. Agenda items: financial inclusion, non-performing assets.
- The Insurance Regulatory and Development Authority's guidelines to allow life insurers to raise funds from the capital market are likely by April-end.

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Managing Succession

As Indian family businesses become multinational enterprises, they need to refine their succession procedures, says S. Manikutty

Succession planning in Indian family businesses has always been a delicate subject. This is largely due to the difficulty of separating the family from the business in India. Family is all about relationships, while business is, to a large extent, about dispassionate decisions based on logic. And these considerations may not always go hand in hand. In India, the eldest son expects to inherit the business from his father as a matter of right. The problem arises when the eldest son is not necessarily the most capable, or the other siblings do not accept the state of affairs.

Today, Indian firms, in general, and family firms, in particular, are seeking opportunities globally. Indian family multinational enterprises, or MNES, now are many: Bajaj Auto, Bharat Forge, Mahindra & Mahindra, Crompton Greaves, Wipro, Dr. Reddy's Laboratories and Ranbaxy, to name a few. This poses new challenges for Indian family businesses regarding succession planning.

That is why it is important, while the patriarch is still alive, to spell out succession plans. This can be facilitated by the existence of family councils to discuss the business issues (not purely family issues) and by drawing up a fam-

ily constitution. It is not necessary to announce this plan to the outside world, though it may be good to announce the existence of such a plan. It is more important that family members know of the plan. It may also be useful to put it down in writing and make it into a legal document so that battles are avoided later. But such formalisation is more of an exception than the rule. I suspect that the patriarch defers the decision primarily due to his reluctance to face likely protests from some of the family members.

Relationships with overseas companies and government agencies are becoming complex. These require dealing with new vendors, customers, intermediaries and regulators. These bodies look for stability and predictability in their relationships and need to be assured that they can trust their Indian partners. Lack of a succession plan obviously increases uncertainty. All these entities would like to know not only whom they have to deal with now, but also in the future.

A ruinous family quarrel over succession will hardly inspire continued trust. It can have several adverse consequences for the company. For example, long-term loans are needed for a firm's expansion, but to provide them, the lender would want to know the long-term plans of the firm. If there are any ownership issues, it may become difficult to raise capital for the growth initiatives of the firm. In the case of one pharmaceutical company, for example, founded by two brothers, the lenders backed out, when it became known that the brothers had major differences of opinion, and the firm went into liquidation. Some family-owned companies in India are trying to preempt such a possibility. Wipro, for instance, seems to be slowly giving final touches to its succession planning and looking beyond Azim Premji.

An interesting impact of globalisation is the need for multiple and very different skills at the top. This provides a unique opportunity for a family firm. It can plan for a group of people who can be groomed to acquire different skills. For example, one of the family members can specialise in international marketing, while another can specialise in legal issues in international business; a third can specialise in technology. As different family members have different skills and aptitudes, it will be beneficial for the company if all can contribute according to their strengths. The Bajaj family seems to have grasped this point, and it has a neat arrangement between the two sons of Rahul Bajaj, capitalising on the skills of the siblings. Such groups of family members can be expected to stay together – at least the chances are higher with a family as compared to a group of outsiders.

Different family members can even be groomed to work as CEOs of their overseas companies, with only a loose coordination with and control from the top. For instance, in the Apollo Hospitals Group, the daughters of Dr Prathap Reddy are managing different hospitals fairly independently, under the father's guidance. It is not altogether inconceivable that some of these companies become independent companies in their own right, but the family can protect its interests through cross-holdings.

I believe family businesses have unique strengths which, when managed properly, can make them formidable competitors. How a family MNE leverages its strengths as a family when it is globalising will depend on the family's values. But one thing is certain: family businesses, when they become MNEs, will need to refine their succession procedures and find new ways to leverage their strengths in a planned manner.

The author is a professor at the Indian Institute of Management, Ahmedabad

MANIKUTTY'S TAKE

- Family quarrels over succession can have several adverse consequences for the company
- It is important, while the patriarch is still alive, to spell out the succession plans
- Family councils can discuss the business issues and draw up a family constitution
- It is important that the family members know the succession plan
- Ownership issues can make it difficult to raise capital for the growth initiatives of the firm

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Multi-slacker

What it means: An individual who engages in unproductive activities at the workplace.

Origin: 'The term 'multi-slacker' has gained popularity in corporate circles in the last decade.

Usage: The office intern is a multi-slacker at best.

Overhauling the Pension System

The PFRDA Bill will kick-start much awaited reforms. By MANU KAUSHIK

What Is Proposed?

In the recently-concluded Budget session, the government tabled the Pension Fund Regulatory Development and Authority, or PFRDA, Bill, 2011 in Lok Sabha that will reform the pension sector further and empower the regulator. It aims to curtail the government's pension liabilities and speed up the development of the sector.

What Will Change?

The Bill will give the PFRDA statutory powers to regulate and develop the industry. "Currently, in case of any rule violation, the PFRDA has to move the civil court. The Bill will enable the regulator to cancel licences or levy penalties on its own," says Gautam Bhardwaj, Director, Invest India Economic Foundation, a Delhi-based pension policy think tank.

The Bill will also make the pension system, which was introduced through an executive order in 2004, into a law. It permits private companies to manage Central and state government pension funds. The government is expected to announce a separate foreign investment policy later.

Global Experience

In countries such as Germany, Japan, the Netherlands, the United States and Britain, which are members of the Organisation for Economic Cooperation Development, pension regulators have been around for many years. In Britain, for instance, the pension regulator was given enormous powers under the Pensions Act 2004.

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Song, Dance and Some Mastiii

SAB's freshly-minted music channel vaults to the top of the charts. By ANUMEHA CHATURVEDI

A new music channel has sprung out of nowhere to challenge the biggies in a very crowded market. Mastiii, launched by Sri Adhikari Brothers, or SAB, Group last July, left the industry stunned as it zoomed to fourth position on the television viewership ratings in just three months, edging past the likes of Channel V. By the end of 2010, it was No. 1, leaving even MTV, B4U Music and 9XM, which had dominated the charts for years, behind. It may have slipped to third position, behind MTV and 9XM, in the first quarter of 2011, but it is clear the established players have a major challenge on their hands.

"Each music channel has its own positioning... we stand out because of our unique concept"
Markand Adhikari,
Vice Chairman & MD, SAB Group

The channel promoters attribute their unexpected success to innovative programming. "The unique format, which combines music with humour, helped us get eyeballs," says Markand Adhikari, Vice Chairman and Managing Director of SAB Group. The channel intersperses songs with gags by stand-up comedians, Raju Srivastav and Suresh Menon. It has a team that thinks up 500 new jokes every month for the comedians, to provide one gag after every three songs.

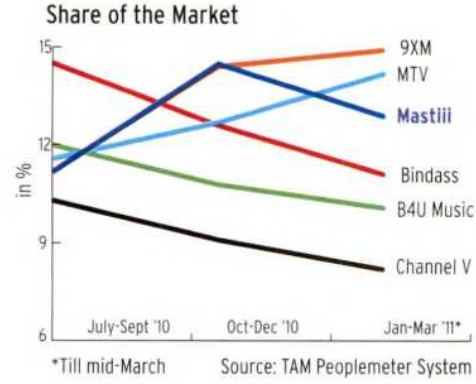
"Each music channel has its own positioning. Our unique concept has helped us stand out and attract a much wider age group than other music channels, which target only the youth," says Adhikari.

Says Prabha Prabhu, CEO of BMB India, which handles strategy and creative operations for Mastiii: "We highlighted the channel's uniqueness by clearly communicating how different its programmes were from those of other channels, be they *saas bahu* serials or reality shows or music shows."

UMESH GOSWAMI

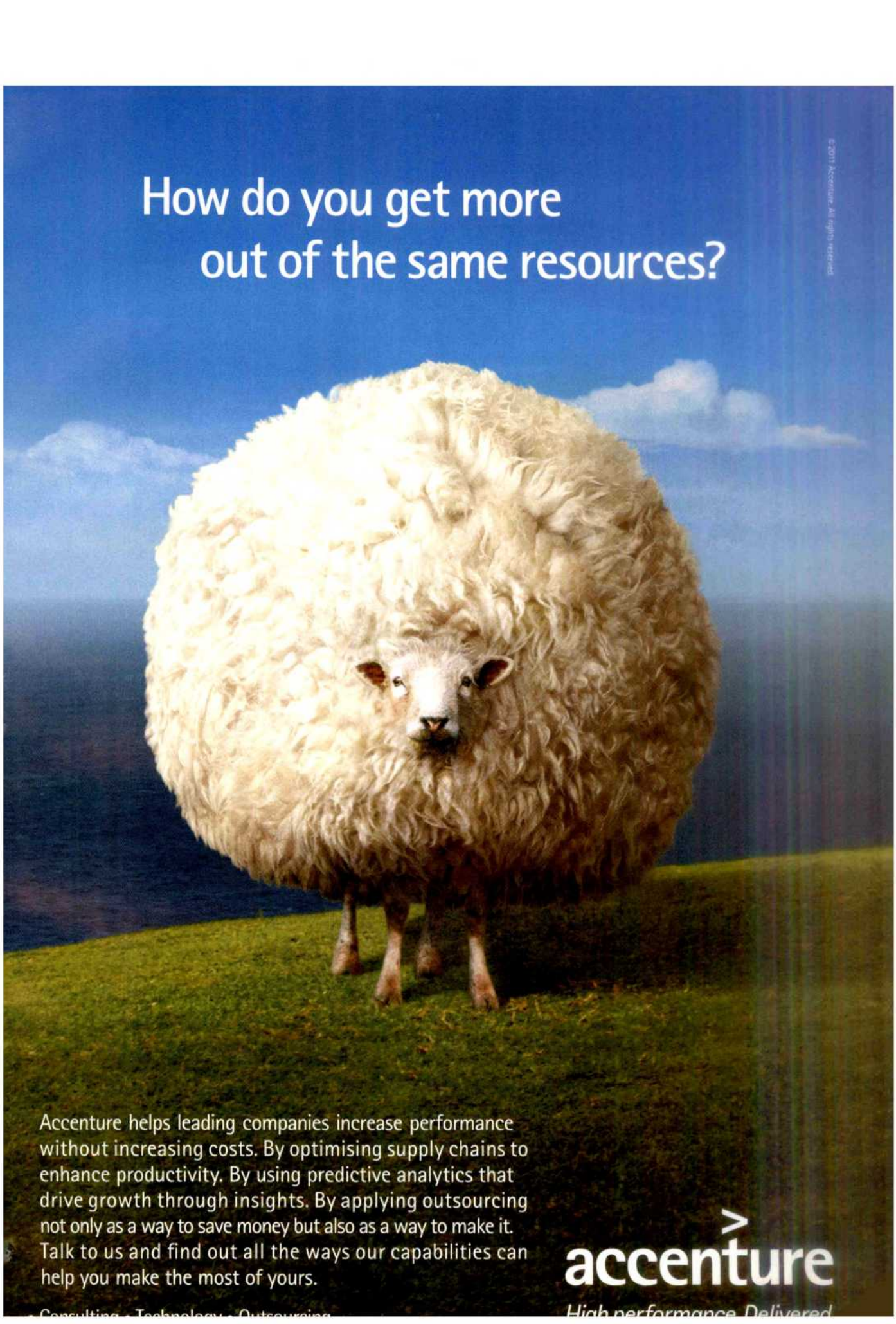
But there are challenges aplenty for Mastiii as well. "The overloaded analogue system and the high carriage fee could be obstacles to our growth," says Adhikari. He feels the analogue TV broadcast system with its lower frequency has too many players and could face a space crunch in the future. The high carriage fee, or the fee that channels pay cable operators, is also a major financial burden.

"The subscription revenue and high carriage fee will pinch smaller players like Mastiii, as their absolute revenue is much lower than that of other players," says Amin Lakhani, Principal Partner at Mindshare Fulcrum. "Any music channel focusing on back-to-back programming and songs can deliver the numbers initially, but the challenge lies in monetising the viewership and finding the right balance once ads start coming in."



Rajesh Jain, Managing Director of Prachar Communications, a firm specialising in media buying and selling, feels comparing Mastiii to channels like MTV is unfair. "Mastiii's target age group is 30 plus, a far cry from that of other music channels that aim solely at the youth," he says. Jain adds that for all of Mastiii's success, he is not getting queries from advertisers about the channel and its rates.

How do you get more out of the same resources?



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BT-ERNST & YOUNG

Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

D. Sundararajan, Managing Director, Cals Refineries

Cals Refineries has acquired the assets of the Hardt Group-owned Cenco and Atas refineries in the US and Northern Cyprus for ₹1,916 crore.

Hardt will subscribe to Cals's equity shares (worth $7 million) on a preferential allotment basis and appoint two directors on the company's board. The acquisition was unanimously approved by the boards of directors of both the firms.

Cals plans to install the acquired assets in its current refinery project in Haldia, West Bengal. This is expected to enhance Cals's aggregate refining capacity to 200,000 barrels per day. Moreover, this deal is likely to position Cals as a prominent private sector petrochemicals company in India.

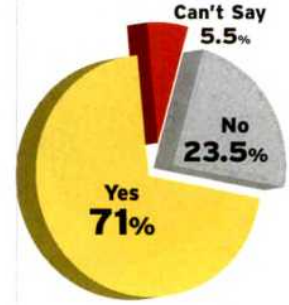
The deal is likely to provide Hardt with indirect access to India's rapidly growing energy market.

TARGET	ACQUIRER	INDUSTRY	TYPE	DEAL VALUE (₹ CR)	STAKE (%)
Hardt Group GmbH – Cenco and Atas refinery assets	Cals Refineries	Oil and gas	Acquisition	**1,916**	100
The Andhra Pradesh Paper Mills	IP Holding Asia (Singapore)	Paper	Acquisition	**1,151**	53
GMR Airports Holding	Macquarie SBI Infrastructure Fund	Infrastructure	Private equity	**893**	NA
SAIC Inc – oil and gas IT services business	Wipro	Technology	Acquisition	**677**	100
Fisher Sanmar	Emerson Electric Company	Industrial products	Acquisition	**599**	51
Smartlink Network Systems – Structured Cable Business	Schneider Electric India	Industrial products	Acquisition	**503**	100
KMC Constructions	3i India Infrastructure Fund	Construction	Private equity	**500**	NA

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not undertake any responsibility with regard to any such decision

*March 15 to April 11, 2011 Not a complete list

Q. Is India's burgeoning population a drain on its economy?



Results of *BT* online poll; No. of respondents: 144

The majority feels that India's growing population is a liability. The country is expected to have a surplus workforce of 4.7 crore people by 2020. For the government, the challenge will be to ensure that its workforce has the required skills to make it employable. This will necessarily entail an overhaul of the country's education system. An ageing population in the developed economies could make India the world's human resource pool. The growing affluent middle class, meanwhile, has ensured a consumption boom in the country, which is driving its rapid economic growth.

Next poll question:

Will setting up a Lokpal help in combating corruption?

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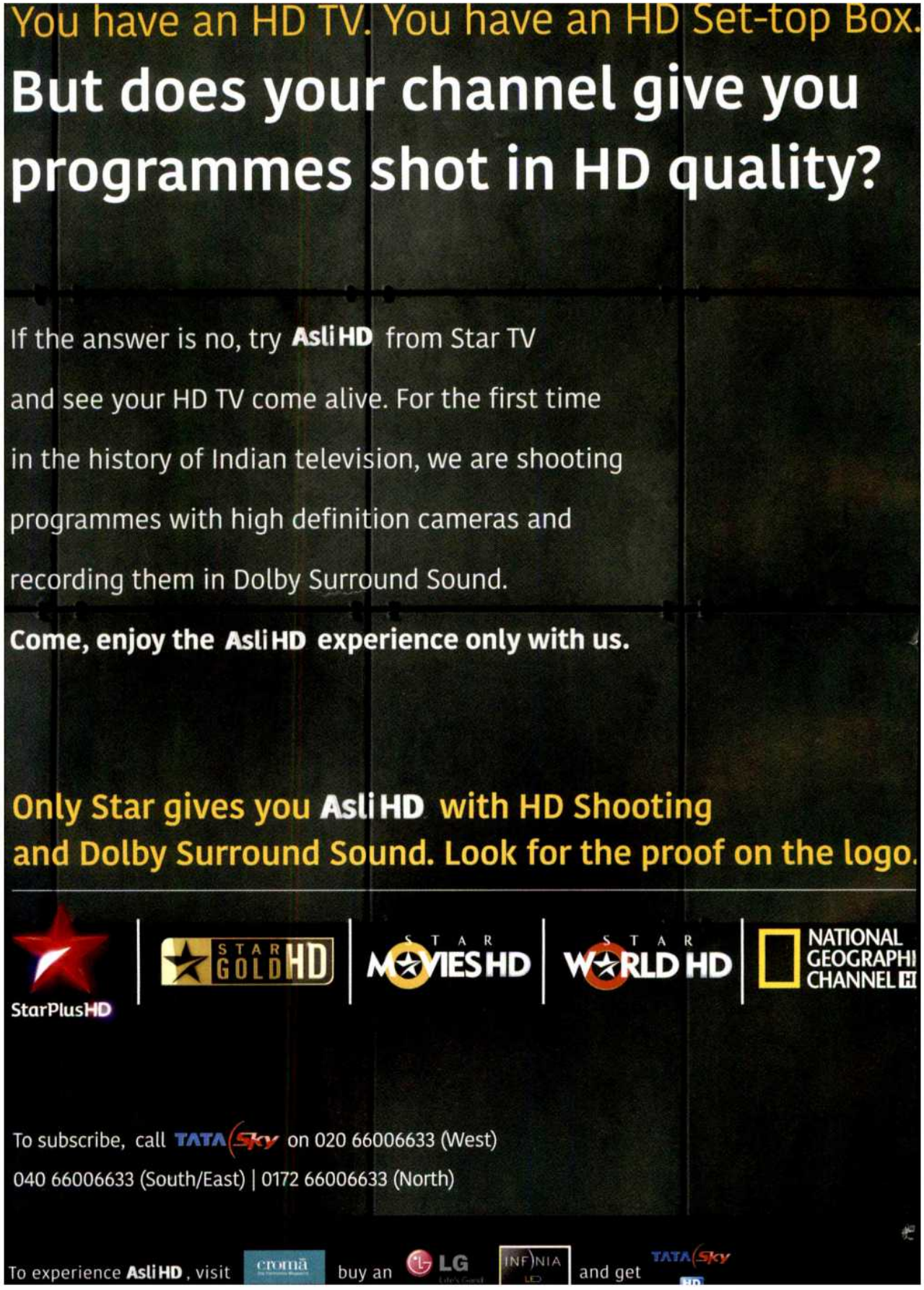
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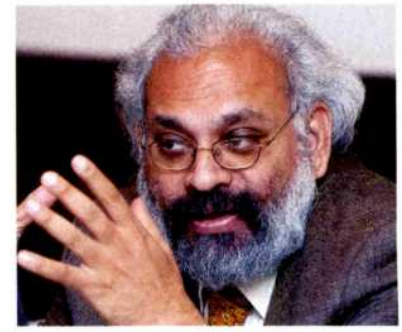
"A little bit of pain now, a little bit of medicine now, with the prospect of less suffering in the future, is the way to look at it."

Subir Gokarn, *RBI Deputy Governor, on the need for higher interest rates to combat inflation, quoted by wire agencies*



"For reduction of the inflation rate... you are unnecessarily increasing the interest rates. This will retard the investment in the country, which is not good."

M.S. Unnikrishnan, *Managing Director, Thermax, on* Bloomberg UTV

"Sustainability is not about what a company does with its profits, but how it makes its profits; it's the business process itself."

Paul Polman, *CEO, Unilever, in* The Economic Times

"The combination of food inflation and unemployment is a very dangerous phenomenon and could result in big political upheavals, which is what we are seeing in the Middle East now."

Mark Mobius, *Executive Chairman, Templeton Emerging Markets Group, in* Mint

"No one discusses the past these days in office... Raju doesn't come up in conversations unless some fresh trouble related to the past erupts."

Hari Thalapalli, *Chief Marketing Officer and Chief People's Officer, Mahindra Satyam, in* Mint

CLASSIC BUSINESS QUOTE

"In the new economy, information, education and motivation are everything."

Bill Clinton

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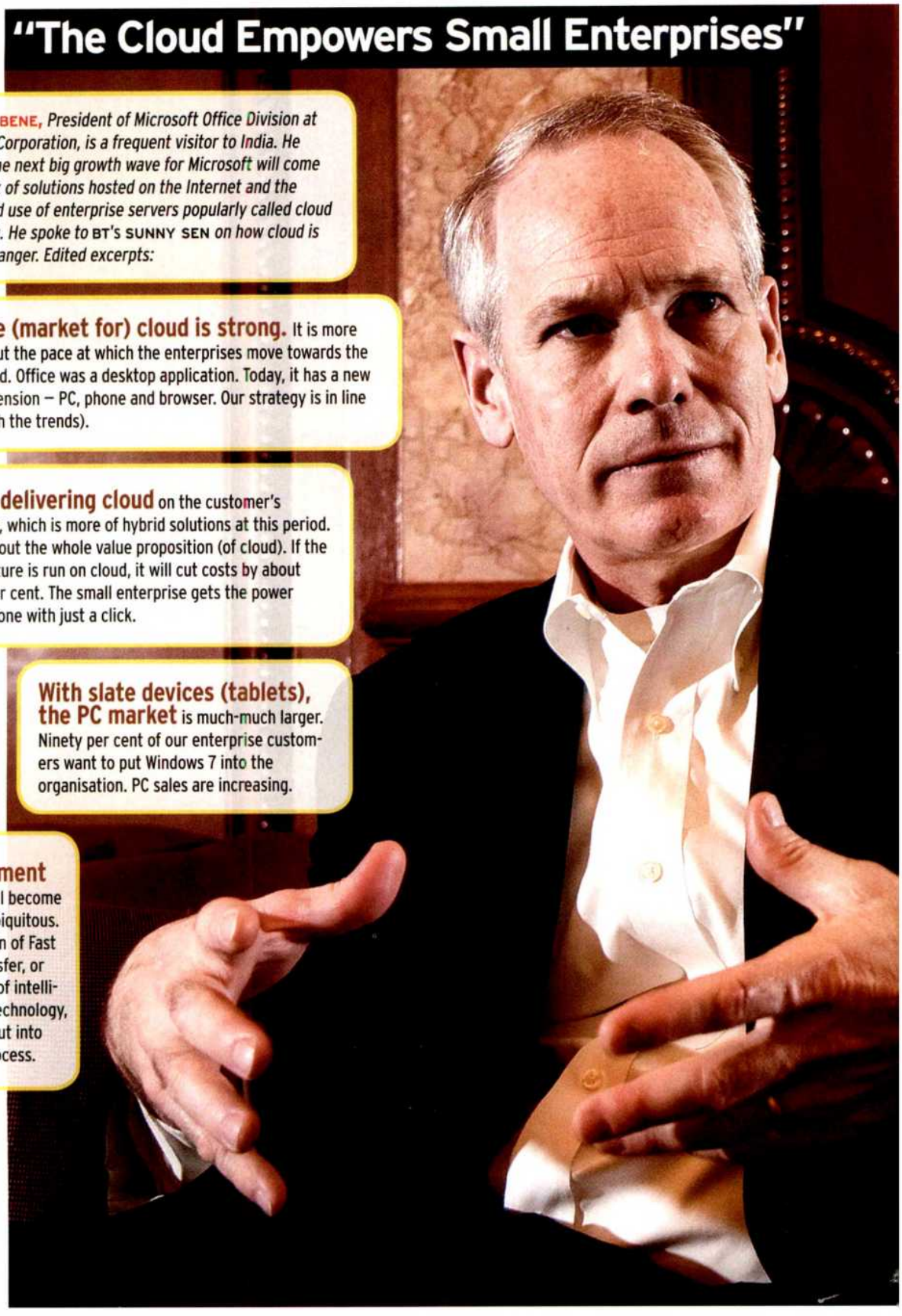


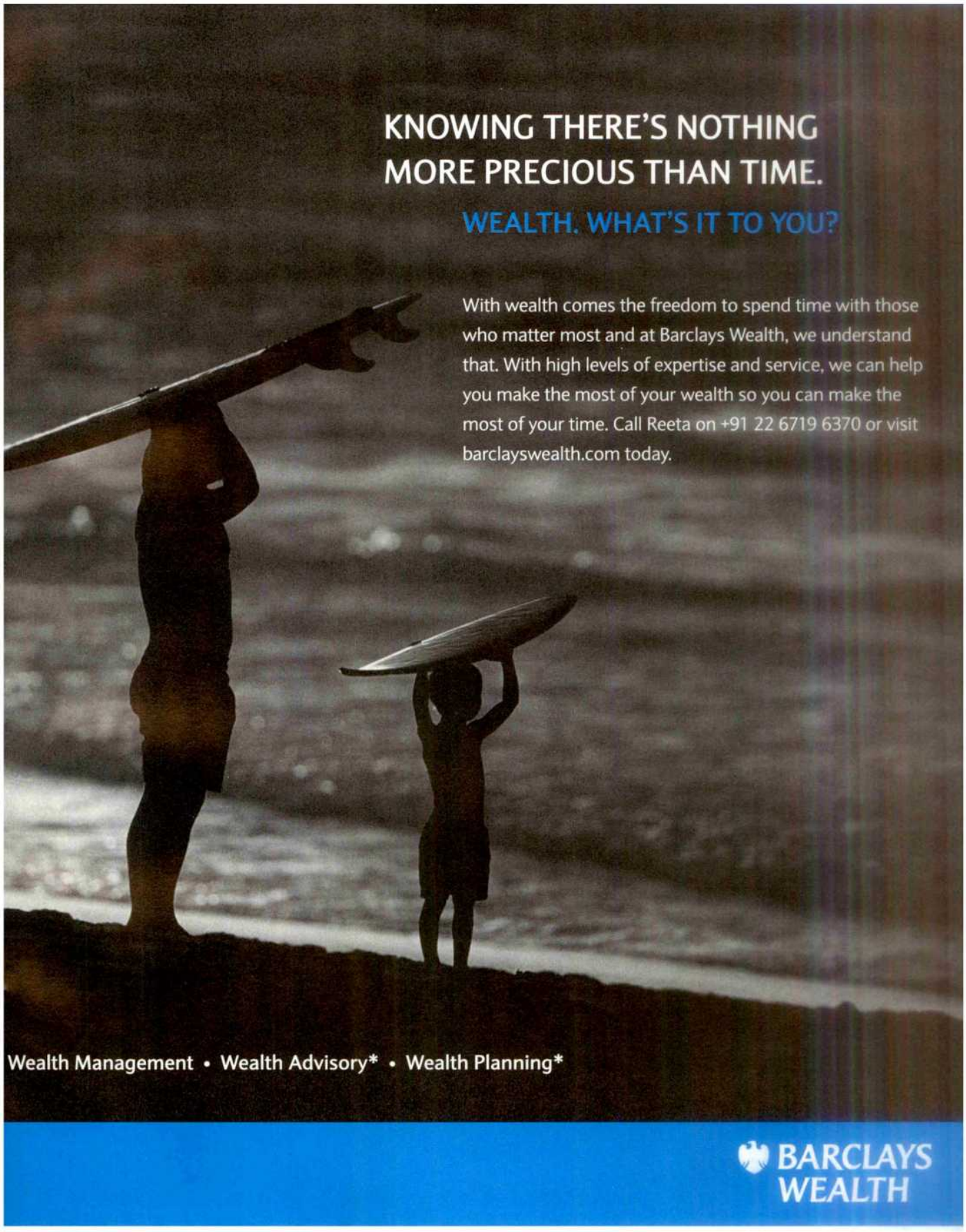
KURT DELBENE, *President of Microsoft Office Division at Microsoft Corporation, is a frequent visitor to India. He believes the next big growth wave for Microsoft will come from a mix of solutions hosted on the Internet and the centralised use of enterprise servers popularly called cloud computing. He spoke to* BT's SUNNY SEN *on how cloud is a game changer. Edited excerpts:*

The (market for) cloud is strong. It is more about the pace at which the enterprises move towards the cloud. Office was a desktop application. Today, it has a new dimension – PC, phone and browser. Our strategy is in line (with the trends).

We are delivering cloud on the customer's conditions, which is more of hybrid solutions at this period. We talk about the whole value proposition (of cloud). If the infrastructure is run on cloud, it will cut costs by about 10 to 15 per cent. The small enterprise gets the power of a large one with just a click.

With slate devices (tablets), the PC market is much-much larger. Ninety per cent of our enterprise customers want to put Windows 7 into the organisation. PC sales are increasing.

Entertainment devices will become much more ubiquitous. The acquisition of Fast Search & Transfer, or FAST, makers of intelligent search technology, is another input into the design process.



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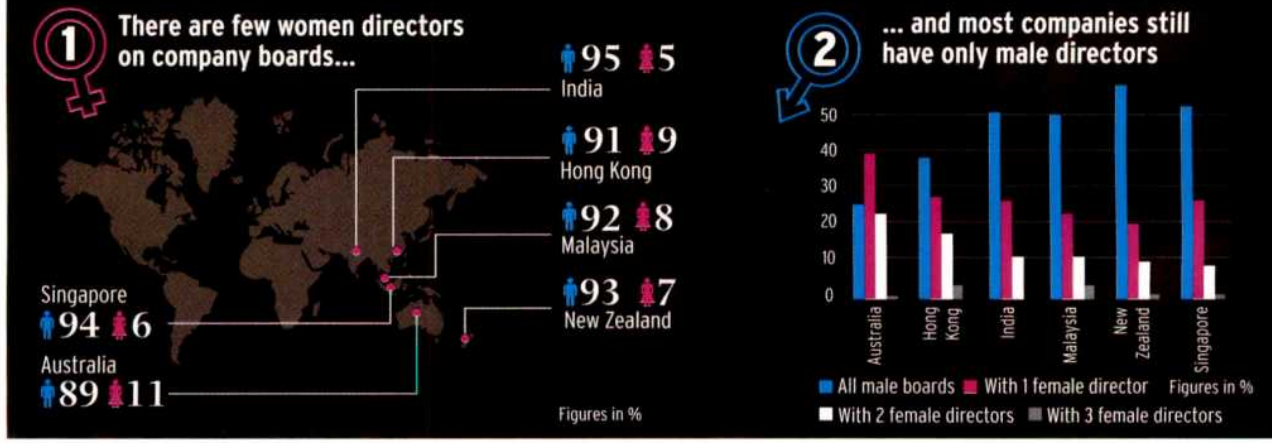
THE DURABLE GLASS CEILING

Women make up a greater proportion of the corporate talent pool than before in the Asia Pacific region, but they are still under-represented in the top echelons of companies, reveals a report by Korn/Ferry International.



5 STEPS TO HERE

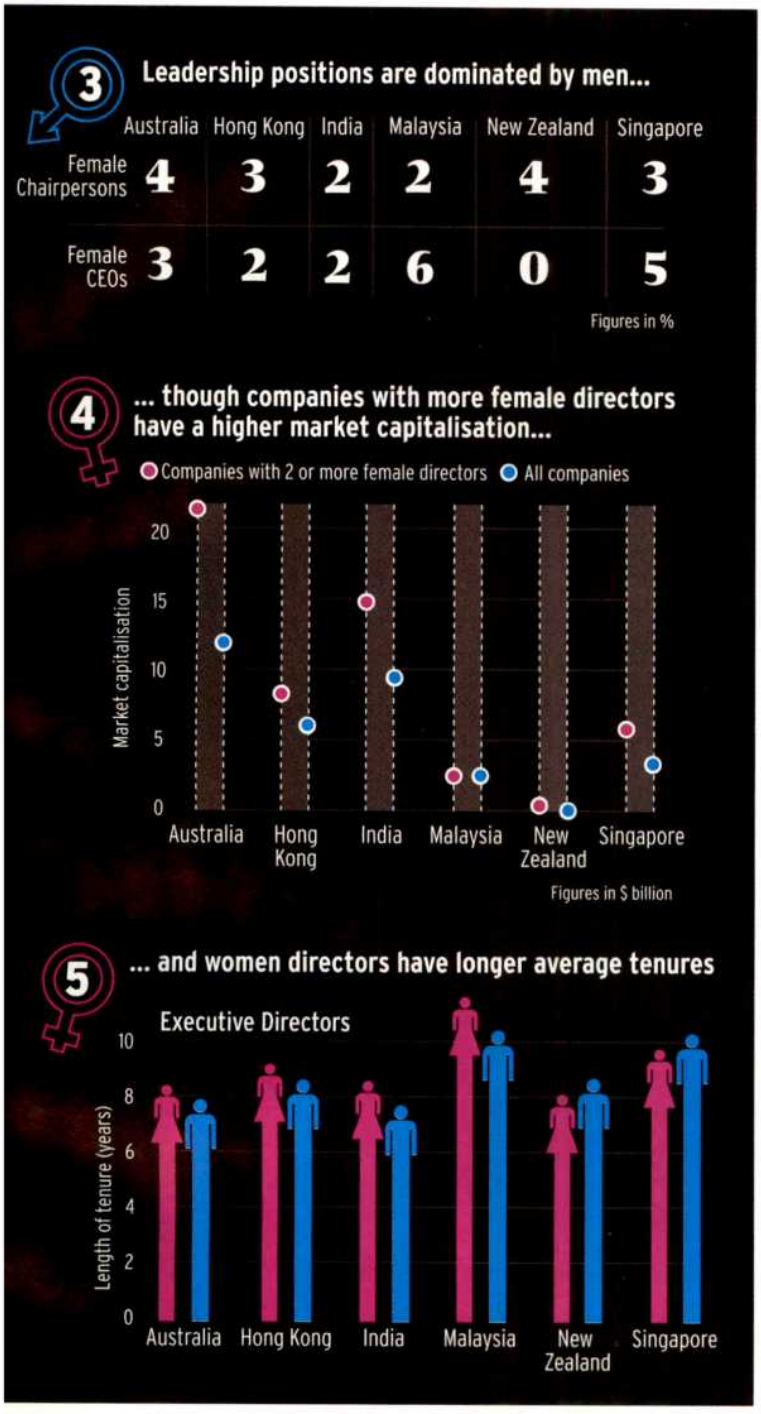
VODAFONE'S OWNERSHIP SAGA

1

March 2007
Vodafone buys Hutchison's 52% stake in Hutchison Essar for $11.17 billion. The company is renamed Vodafone Essar.

2

September 2009
Minority shareholders, ex-CEO Asim Ghosh and Max India's **Analjit Singh** sell half their shareholding to Vodafone.



GRAPHIC BY SANTOSH KUSHWAHA

BT Retro
July 29, 2007

Taking Off: Second Airports

THEN: Come 2010, the Indian aviation industry will receive the 'infrastructure boost' that it has been asking for. According to the Centre for Asia Pacific Aviation, or CAPA, by 2010, India is expected to have world-class infrastructure not only in the six major metro cities but also in most of the 35 non-metropolitan cities. Several cities such as Mumbai, Delhi, Chennai, Ahmedabad, Kolkata, Goa, Bangalore and Hyderabad are in the process of constructing a second airport.

But will all the new airports be commercially viable? "Today, the focus is around 11 to 15 airports. These airports are fully saturated. It is just a question of new markets developing," says Jeh Wadia, Managing Director of GoAir. Mumbai handled most passengers, 7.3 million, growing at 9.2 per cent. Delhi was a close second with 6.7 million passengers, growing at 15.4 per cent. Chennai handled another 2.9 million passengers. What's more interesting is the growth rate of international passengers in smaller metros and non-metro towns. Bangalore breached the million passenger mark for the first time ever, clocking a growth rate of 46.2 per cent in traffic in 2006/07. Smaller cities like Thiruvananthapuram (18.2 per cent), Kozhikode (17.1 per cent) and Amritsar (19.3 per cent) registered strong rates of growth in global traffic. With international carriers like Tiger Airways set to launch flights from Singapore to Chennai and Kochi, it is likely that traffic in these centres will spike up.

NOW: No Indian city has a second airport yet. But with clearances in place, second airports in Mumbai, Chennai and Goa will be operational in the next five years.

3

January 2011
Vodafone objects to Essar's move to place part of its 33% stake in a listed company, India Securities.

4

March 31, 2011
Vodafone agrees to pay Essar Group $5 billion for its 33% stake. It also plans an IPO in the future.

5

April 11, 2011
Asim Ghosh sells his remaining 2.38% holding to Analjit Singh, whose stake rises to 6.24%.

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CONTRACTS

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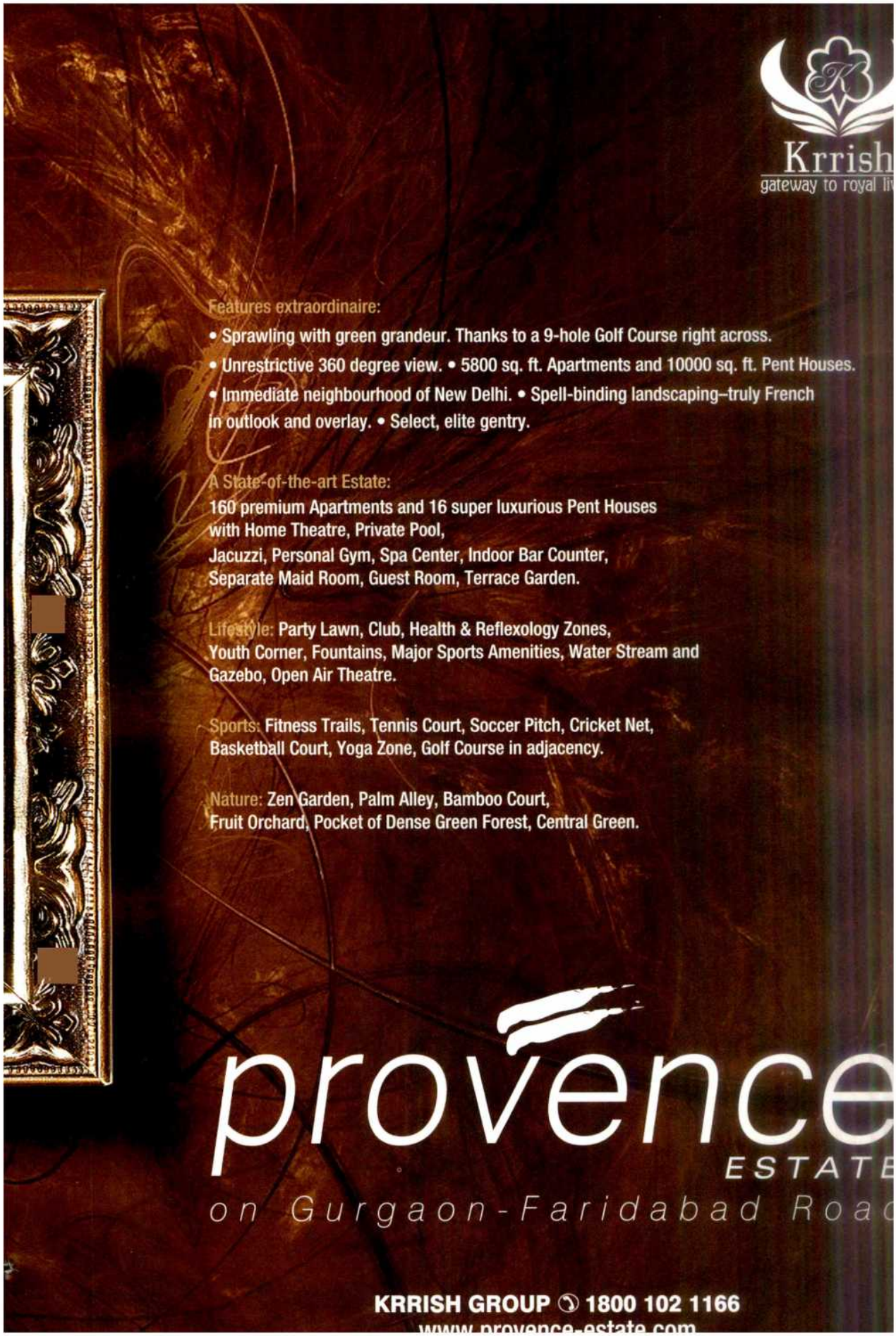
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THE TOP 10 Most Watched Ads

March 2011

Complan

GRPs 1,454

1 Rank

Seconds on air: 4,68,685

Sprite

GRPs 1,094

2 Rank

Seconds on air: 9,41,995

Tata Indigo Manza

GRPs 913

3 Rank

Seconds on air: 4,10,310

Thums Up

GRPs 879

4 Rank

Seconds on air: 6,60,125

Cadbury's Dairy Milk Chocolate

GRPs 820

5 Rank

Seconds on air: 2,93,525

Fair and Lovely Multivitamin

GRPs 757

6 Rank

Seconds on air: 3,18,810

Fanta

GRPs 755

7 Rank

Seconds on air: 6,81,745

Mountain Dew

GRPs 733

8 Rank

Seconds on air: 3,40,300

Colgate Max Fresh Gel

GRPs 725

Seconds on air: 3,74,135

Maaza

GRPs 691

10 Rank

Seconds on air: 5,56,275

Winter is long gone and all the summer chillers are moving up on our charts, emerging as the most advertised category. There are as many as five soft drink brands in the Top 10. The Number One spot, however, has been taken not by any of the soft drink brands, but by a health food drink, Complan. It is way ahead of its rival brands, with Bournvita at 17th position and Horlicks conspicuous by its absence from our list.

COMPILED BY SHAMNI PANDE

... THE OTHER 15

RANK/BRAND		GRPs
11	Dettol Skincare Soap	667
12	Hero Honda CD Deluxe	625
13	Lehar Slice	624
14	Sony BRAVIA (Dhoni Batting)	607
15	Surf Excel Washing Mat Range	591
16	Colgate Sensitive Toothpaste	588
17	Cadbury Bournvita Plus Plus	586
18	Nirma	581
19	Sony BRAVIA (Dhoni Wicketkeeping)	575
20	Clinic Plus Strong & Long	570
21	Lux Fresh Splash	568
22	Stayfree Secure Dry Wing	549
23	Vodafone 3F Cellular	529
24	Comfort Fabric Conditioner	529
25	Airtel BlackBerry Messenger	528

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HOW THINGS WORK

Securing EVMs

Over 1.4 million electronic voting machines, or EVMs, are being used in the ongoing assembly elections in five states. But experts say that EVMs can be tampered with and need to be secured.

FUNCTION: EVMs directly record individual votes. The votes are stored on a data card or disk. The machines speed up the voting process and the counting of votes.

MANIPULATION: Tampering with EVMs can potentially swing election outcomes. Technocrats have demonstrated that EVMs can be meddled with by using portable hardware devices to change the stored vote records.

SAFEGUARDS: To prevent tampering, EVMs can be installed together with a printer similar to the one used to produce credit card receipts. Since voting more than once is not allowed, these receipts will help in counting votes in case of tampering.

JUST WONDERING

Power Project in Limbo

In 1999, Atal Bihari Vajpayee, former Prime Minister, laid the foundation stone for Bihar's Barh power project. The 1,980-MW plant was originally scheduled to start working in 2007, but is yet to commission its first unit. In 2008, work came to a standstill when contractual disputes arose between NTPC, the Centre-owned power producer, and the Russian suppliers – Technoprom Exports and Power Machines, of key equipment. This issue snowballed when Technoprom faced an enquiry by the Central Bureau of Investigation for alleged pay-offs to the then NTPC Chairman C.P. Jain for securing the contract to supply boilers to the project.

Earlier this year, Bihar Chief Minister Nitish Kumar claimed he had brought the Barh plant to the state. Kumar's intervention, then, might be required to put the project back on track.

COMPILED BY ANAMIKA BUTALIA

QUIRKY

King Con

To indulge his passion for luxury cars, Sukesh, 21, conned dozens of people in Karnataka, Tamil Nadu and Andhra Pradesh of over ₹10 crore. His modus operandi was simple. He claimed to be related to top politicians and promised several gullible people lucrative government contracts. To bolster his credentials, the conman even travelled with a posse of private guards armed with automatic weapons, and drove in a car with state government emblems. The good times continued to roll for Sukesh before his girlfriend spilled the beans to the Chennai police, which led to his arrest.

SNOOT CORNER

Golden Delight

There are golden rules for savouring your single malt. It is best consumed neat – any additions detract from its flavour. Indeed, if the malt has to be diluted at all, distilled or mineral water is preferable. A peg 'on the rocks' is a strict no-no. The alcohol loses about three quarters of its fine taste and aromas, if ice is added. Malt whisky serves best in cognac snifters or broad-based 'tulip' glasses.

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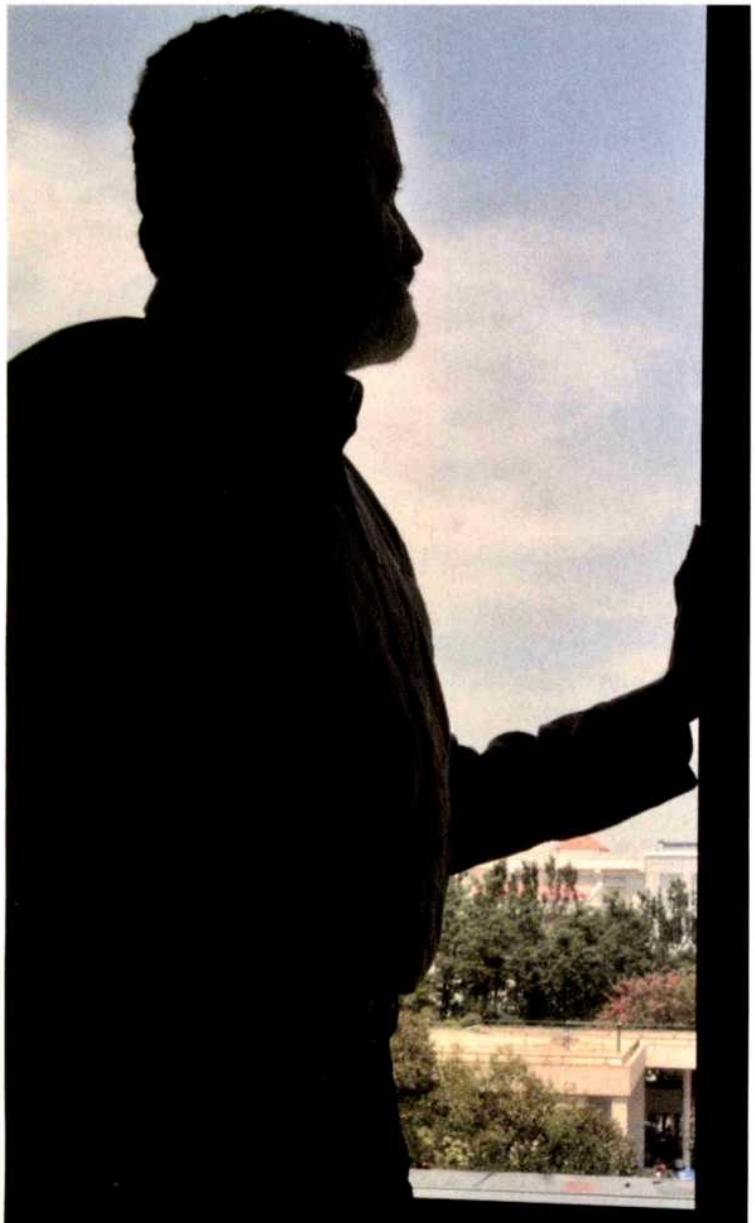

DEEPAK G. PAWAR

Future on the Line

T.V. Mohandas Pai's departure shows up the faultlines at the hallowed Infosys.

By RAHUL SACHITANAND and SUMAN LAYAK

A day before Infosys Technologies announced its fourth quarter and full-year results, Chief Mentor and Non-Executive Chairman N.R. Narayana Murthy received an e-mail he was dreading. It was 10.30 pm and Murthy was wading through official mails, when board member and human resources head T.V. Mohandas Pai's message came in. The normally combative Pai announced tersely that he was quitting to pursue opportunities beyond Infosys.

For the company, this was a big loss. Pai had been with Infosys for 17 years, been its Chief Financial Officer, steered its listing on the NASDAQ and then given up the post to try his hands at HR. A blue-eyed boy of Murthy, Pai had often been cited as a future operations chief, if not chief executive.

However, Pai's e-mail of April 14 ended all such speculation. But it also lent credence to accusations that have been whispered for some time: Infosys, a company that prides itself on its professionalism, is at heart run like a family-owned enterprise. In this case, the 'family' are the founders. Though three of the original team of founders – Ashok Arora, N.S. Raghavan and Nandan Nilekani – have quit the organisation, the remaining still exercise a vice-like grip on it. As the oft-repeated story goes, Infosys was founded three decades ago with just ₹10,000 and grew to a $6-billion (₹27,000-crore) technology company. "The founders have been dominating the management stream," Pai had said in a conversation with *BT* in March. "We discussed the re-organisation earlier but decided the time was not opportune."

Critics claim the founders failed to identify a bunch of new leaders quickly enough. While it was well known that seniormost co-founder Murthy would retire later this year and the rest of the management in four years from now, the effort to identify new talent was insufficient. "It is best to have the bad news early," says Vishesh Chandiok, National Managing Partner at audit, tax and advisory firm

Grant Thornton India. "Not everybody has the desire to work for a company forever and the succession planning should start early, and involve potential successors."

While Infosys has a three-tiered leadership structure and uses its institute in Mysore to train its brightest talents, few are visible in the market, say competitors. Once co-founder Nilekani left, Infosys struggled to find someone with the same C-level contacts, they argue. What's more, rapidly evolving rivals have been able to catch broad economic trends and changes in technology faster. The information technology industry is growing beyond its comfort zone and top leaders need to grow their skills to match this trend, says Sunny Banerjea, head of performance and technology at audit and accountancy firm KPMG. "The Indian IT industry is now more global and two companies – TCS and Cognizant – are charging ahead because they have stable and focused leadership," he adds. Banerjea believes that "shared leadership devoid of clear accountability is not a characteristic of highly successful companies".

In Infosys's case, the departure of the 52-year-old Pai also put the spotlight on the firm's overbearing founders who want to have their say in the smallest matters. For example, a few years ago, after he had relinquished executive control at Infosys, Murthy was spotted by *BT* poring over building plans, paint shades and tile colours for the company's development centres in Pune. Junior managers complain that founders and old-timers monitor administrative work and fetter their freedom. "In the early growth years it was pure merit... but after 2001, it became bureaucratic," laments one ex-employee.

While the halo that the founders built lasted during the good times, the slowdown burst this bubble and unhappy employees began questioning the firm's position and the equations between the founders such as current CEO Kris Gopalakrishnan and CEO-designate S.D. Shibulal. A former senior manager at Infosys was blunt: "Mohandas Pai can't get along with Shibulal and won't report to him." But others say Pai himself was the source of discontent.

Infosys did try to reorganise its management sometime ago, but abandoned the plan midway. "We did have a plan but postponed it since we wanted to focus on the market." Executive Council member B.G. Srinivas, a contender for a place on the firm's board, had told *BT* in an interview in March.

What's interesting is the code of silence governing current and former senior managers at Infosys, especially on issues of discord between the board and the rest of the management. "*Business Today* is dear to me, but Infosys is dearer," says former HR chief Hema Ravichander when asked to comment. Srinivas was also equally cryptic: "I have no comment to offer on leadership issues," he said in the March interview.

A handful of senior managers say that with a management recast just days away on April 30, no one wants to risk the ire of Murthy, or Gopalakrishnan and Shibulal, who will be the last two founders left with executive responsibilities. (Co-founder K. Dinesh retires in April.) "Mr Murthy will be chairman emeritus ... his presence will continue to be felt on campus," says one of them.

Infosys has just begun its management shuffle in earnest, with Prasad Thirkutam replacing telecom business head Subhash Dhar. Ashok Vemuri, another contender for a board slot, has been given charge of health care and insurance in addition to banking and financial services, Infosys's largest revenue earner. Dhar continues to be global head of sales and marketing.

There has been a sharp spike in attrition, which touched 17 per cent in the latest quarter. Pai's contentious plan called iRace, to expand the technical and managerial options for Infoscions, too faced the axe. "Infosys is not the hallowed employer it was once," says Venkat Sastry, who heads technology recruiting for Korn Ferry. "The rise of the multinationals has been a game-changer." Restive junior managers have also begun to flood recruiters with their resumes.

An overhaul of management and a professional setup will help Infosys regain some of its lost sheen. ◆

Infosys

Life after Pai

"Guess he got tired of being bridesmaid and not bride," a former senior manager at Infosys said about the departure of T.V. Mohandas Pai.

Pai was an openly ambitious executive, moving from finance to HR and taking up multiple roles to try and build a stronger portfolio and hasten his rise to the top. Several senior executives said Pai jockeyed to be CEO when co-founder Nandan Nilekani was promoted to the top job and spoke to other co-founders to press his case. From joining the finance department back in 1994, to becoming CFO six years later, to then giving up the role to try his hand at HR, there is little Pai has not done. There are other roles, rarely spoken of, which were also an integral part of his 14-hour workdays for the past 17 years.

Pai himself refuses to say anything more. "No more interviews," he says in an SMS. "I want to step down, as simple as that." Now, Infosys will need to find another jack-of-all trades for the many roles Pai performed.

MISSING THE BOAT

Poorly designed policies hold back India from increasing its seafood exports, as the missed opportunity in tsunami-hit Japan shows. By E. KUMAR SHARMA

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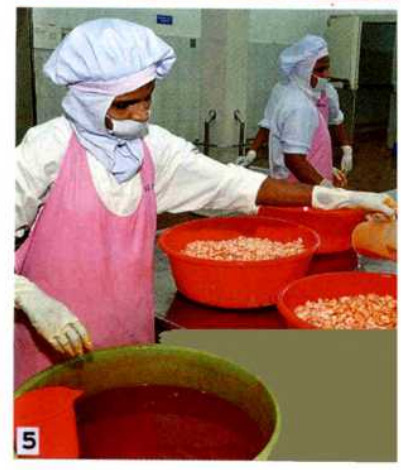
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Even those who have never tasted sushi or sashimi are aware of the Japanese penchant for seafood. But in the wake of the devastating earthquake and tsunami that wiped out much of Japan's fishing community and infrastructure, the island is struggling to ensure adequate, radiation-free supplies of seafood, both for domestic consumption and exports.

Opportunity for India, right?

Not for the moment. A sluggish government policy in India towards seafood imports and exports prevents it from filling even a part of the gap. While a small country like Thailand has billion-dollar players, India's largest exporter, Falcon Marine Exports, boasts of just about ₹300 crore in revenue. There are over 400 players, but only half a dozen have revenues in excess of ₹200 crore.

Two decades ago India was second to China in seafood exports to Japan. But since then Thailand, Indonesia and Vietnam have become processing hubs. "Thailand's seafood exports have soared to $6 billion, Indonesia's is at $4 billion and Vietnam's is close to $3 billion. India continues to lag at $2 billion," says Abraham J. Tharakan, Chairman, Amalgam Foods. His firm is a major exporter to Japan with three joint ventures, and 60 per cent of its ₹120-crore export revenue comes from exports to the island nation.

Despite global-standard plants and low labour costs, Tharakan says restrictive norms have discouraged foreign investment. Exporters estimate that foreign direct investment, or FDI, in the seafood sector over the last decade has been "minuscule compared to China, Thailand and Vietnam". Players say existing norms, such as the special import permit for any seafood or meat, are like non-tariff barriers. Inspection of raw materials and ingredients by the Customs, port health authorities and the plant quarantine department causes delays of 30 to 40 days.

Even government insiders agree to an urgent need for reforms. "We need a liberal import policy to encourage value addition and re-exports," says a senior official with the Marine Product Export Development

Authority, or MPEDA, on condition of anonymity. MPEDA is the nodal agency under the commerce ministry for regulation, development and promotion of marine product exports.

The first on the list of hurdles is the so-called 'sanitary import permit policy', which bars import of livestock products without sanitary permits. This covers raw inputs such as unprocessed seafood and ingredients used for value addition. Take breaded shrimps, for instance, which require imported bread crumbs and certain flavous and sauces. Marine product exporters worry such imports could get stuck, and that they could carry huge losses if, after signing contracts, permits are declined by authorities.

Other irritants are rigid input-output norms. Consider one example: squid imported from colder climates for value addition contains more oil than flesh, while that from warmer locations are the opposite, providing a better yield. To get over uncertainties in processed output from reasons such as these, Indian players are urging the government to evaluate value addition based on value rather than weight or quantity.

It is a typical case of too many cooks. The seafood industry is under the purview of six Central ministries and nine states. In contrast, most competing countries have a dedicated ministry for fisheries, in many cases headed by a Cabinet rank minister, such as in China and Thailand. In India, deep sea fishing and aquacul-

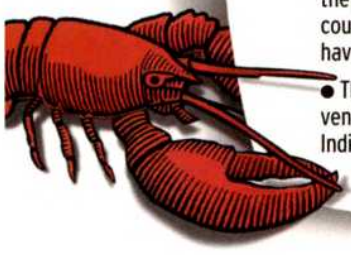
Fishy Business

How seafood is processed

1. Raw material (shrimps) for processing
2. Workers sort and peel the shrimps
3. The raw material is cleaned before being graded
4. The shrimps are cooked, then sorted and weighed
5. Colour and other preservatives are added
6. Each shrimp is manually sorted for freezing
7. The products are vacuum packed
8. Final finished product

Troubled Waters

Despite having international-level processing plants and low labour costs, India lags behind. Why?



- Seafood sector in India is under the purview of six ministries. Most countries along the Pacific Rim have a Cabinet minister for fisheries
- Thailand and Vietnam have joint ventures with Japanese players. India hardly has any
- Japanese players prefer to set up processing units in locations like Thailand and Vietnam
- India has numerous restrictions on the import of raw material and ingredients. Clearances by Customs and port authorities take time
- While there is a national fisheries policy there is no coordinated and enforceable national fisheries conservation policy

ture come under the agriculture ministry, exports under commerce, processing units under food processing while the Indian Council of Agricultural Research oversees fishery institutes. Protection of the exclusive economic zone up to 200 nautical miles is the job of the Coast Guard, while coastal inland fishing up to 12 nautical miles comes under nine coastal states. Naturally, there is lack of coordination between ministries, which have no common policy.

This is shocking given the country's potential. India has arguably one of the largest seafood resources with its 8,129-km coastline, 2 million sq km of exclusive economic zone and 1.2 million hectare of brackish water bodies offering potential for development of fisheries.

A National Fisheries Development Board, or NFDB, was set up four years ago modelled on the National Dairy Development Board which brought about a 'white revolution' in the dairy business. But it has a long way to go. Says NFDB chief P. Krishnaiah: "The sector can prosper if states are more proactive in taking advantage of the resources and support provided by the board."

"The major point is that we are followers and not leaders," says Anwar Hashim, President of the Seafood Exporters' Association of India and Managing Director of Abad Fisheries, the oldest firm in this business dating back to 1931.

Policy flip-flops and delays in decision making are also hurdles. Take the case of Vannamei shrimps. The government initially said Vannamei was an exotic species and should not be brought into Indian waters. Later it changed its stand. "We introduced it in 2007 after pilot projects in Andhra Pradesh. But by then the global market had been captured. China is producing 1 million tonne annually and Thailand 600,000 tonne," says Hashim. "If you do it 10 years after China, you do not have anybody waiting for you."

M.R. NANDKUMAR

If India can manage to export 30 per cent of its seafood exports in value-added form, its $2-bn turnover will increase to $3 bn.
Abraham J. Tharakan, Chairman, Amalgam Foods

Frustration among exporters is compounded by changing equations in some markets. Raw materials once exported by India to Japan is now being shipped to units in China, Thailand, Indonesia and even Vietnam. "These countries are then doing value addition for re-export to Japan and the West," points out Amalgam's Tharakan. If India can manage to export 30 per cent of its present seafood exports in value-added form, its $2-billion turnover will increase to $3 billion, he feels.

Already, people like Tara Ranjan Patnaik, chief of leading exporter Falcon Marine Exports, are looking out. "We have been in this since 1982 and could have been a ₹1,000-crore firm by now." Falcon is now eyeing other areas for growth. "We have entered steel and real estate business as we see better growth prospects," says Patnaik. That perhaps is enough food for thought. ◆

Ritually Pure

The Fortis-SRL deal is legally watertight, but the jury is out on whether it is proper or not. By SHALINI S. DAGAR

A deal last fortnight between two entities controlled by New Delhi businessmen, Malvinder Mohan Singh and brother Shivinder, has raised questions about its propriety. With the memory of a December 2008 attempt by the promoters of Satyam Computer to acquire a family-run company, Maytas Infrastructure, still fresh in minds, this deal has corporate circles abuzz.

One of the companies involved in the deal announced on April 15 is publicly-listed Fortis Healthcare, a hospitals firm that bought an 86 per cent stake in unlisted diagnostics chain Super Religare Labs, or SRL, which is planning an initial public offer.

The Singhs and their families owned 81 per cent in Fortis and a little more than 74 per cent in SRL.

The deal price was not disclosed; it was to be determined by an independent valuation. A few days later, a private equity fund Avigo Capital Partners provided a benchmark for Fortis when it paid ₹100 crore for a 9.27 per cent stake in SRL's expanded capital.

After the Satyam-Maytas fiasco, "related party transactions involving listed promoter group companies have been on the radar of various stakeholders on account of serious corporate governance issues. Such related party transactions should be undertaken only after following highest standards of corporate governance," says Nishchal Joshipura, head of mergers and acquisitions at the legal firm Nishith Desai Associates.

The promoters' defence is that the decision was voted on by independent directors of Fortis only, and that there is a benchmark valuation in the Avigo deal. Prithvi Haldea, Chairman of Prime Database and a keen watcher of M&A deals, says voting by independent directors in India need not mean much. Indeed, Satyam independent directors Vinod Dham, Krishna Palepu and M. Rammohan Rao were panned after the Maytas episode. Fortis's independent directors, listed on its website, include Gurcharan Das, former CEO of Procter & Gamble India and retired judge S.S. Sodhi.

To the extent that Fortis is significantly bigger than SRL, the upside in the deal for the Singh brothers may not be much. The hospital company reported ₹1,067 crore revenues and ₹95 crore net profit in April to December of 2010. SRL made net profits of ₹65 lakh on revenues of ₹128.2 crore between April and September 2010, the latest period for which data is available.

Still, the deal will come under the scanner, says Garima Kumar, Executive Director of Lotus Knowlwealth, a Mumbai brokerage. But, if the Fortis's claims hold up, "there is unlikely to be a finger pointed at the deal, especially if it unlocks shareholder value," she adds. Munesh Khanna, Managing Director, investment banking, Centrum Capital, agrees: "Valuation by all counts seems to be fair."

Fortis, through a company spokesperson, says it "sees great benefit in augmenting the Fortis presence with new speciality-based verticals". Diagnostics through SRL will enhance patient care, it added.

Whether Fortis's minority shareholders were short-changed or not will become clear only when the SRL IPO is priced. ◆

VIVAN MEHRA

New deal: Shivinder and Malvinder Singh

TIMELINE

February 2011

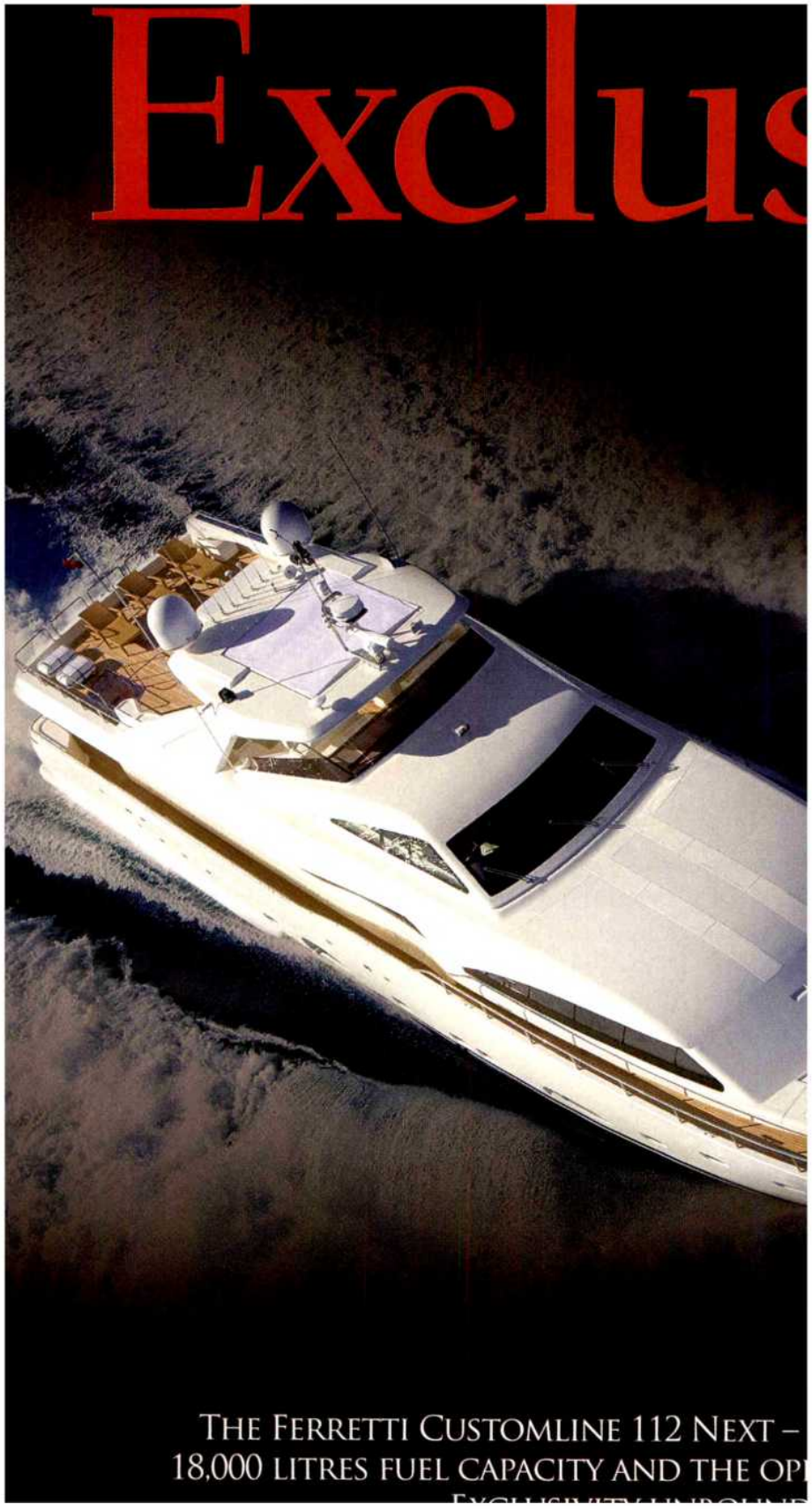
Super Religare Labs files a draft red herring prospectus with a mandate to raise ₹160 crore from pre-IPO placement

April 2011

Fortis (81% owned by the Singh Brothers) declares its intention to acquire 86% of SRL which is promoted by them. Valuation was to be decided by independent valuers

April 2011

Avigo Capital Partners picks up 9.27% stake in SRL for ₹100 crore setting the valuation benchmark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BUCKING THE BRENT

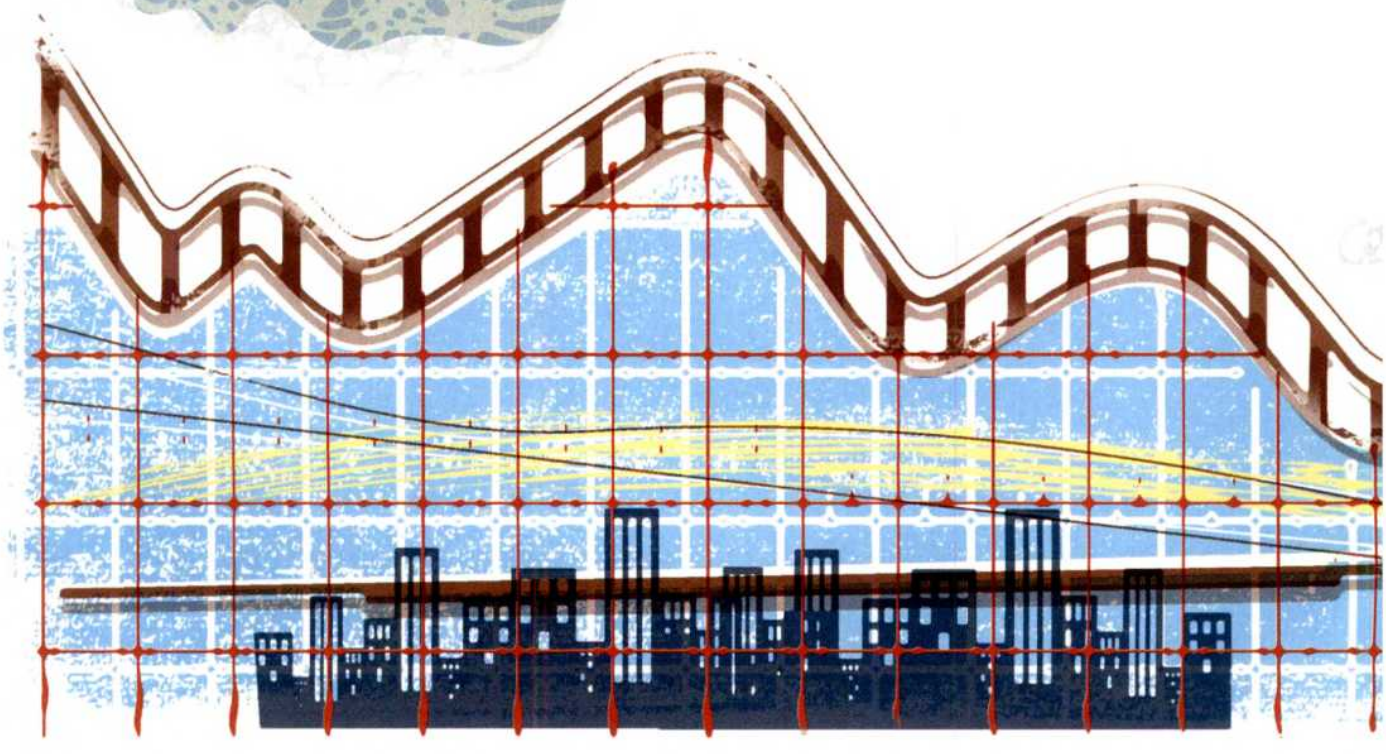
The rupee has refused to buckle under the onslaught of rising global oil prices, thanks to a surge in exports. By ANIKA GUPTA

Back in 2008, rumours about a surge in Asian demand sent crude oil prices soaring by nearly $30 a barrel between April and July. In India, as oil importers scurried to source dollars to continue importing the precious commodity, the rupee weakened, depreciating to 42.49 to the dollar by the end of July from 39.90 at the start of April.

A similar upsurge in international oil prices has accompanied the political upheaval in West Asia since the beginning of this year. The unrest in Libya and Bahrain has pushed up the price of Brent crude by nearly $30 a barrel since November 2010 to around $122, similar to the levels in May 2008.

Not a Repeat

But there has been no concomitant weakening of the Indian currency this time. In fact, over the past six months, the rupee has moved in a narrow band of 44 to 45.9 to a dollar. It was at 44.30 when this issue was going to press. What's more, experts do not see the value of the rupee, which is determined by sentiment in the foreign exchange market and the supply and demand for dollars in the economy, declining sharply. "The rupee's strength is slightly out of tune with what the foreign exchange market's reaction should be to high oil prices," says Hemant Mishr, Head, Global Markets at Standard Chartered Bank. "I don't expect a dramatic decline of the rupee."



The relative stability of the rupee is the only good news in an otherwise stressed macro-economic scenario. Inflation accelerated in March at a rate of just under 9 per cent, more than the Reserve Bank of India had projected, as the costs of fuel and manufactured goods rose. The government's failure to address supply-side constraints in a timely manner has kept inflation persistently high and forced the central bank to raise interest rates eight times since early 2010. High borrowing costs showed up as a worry in the first *Business Today-C fore* Business Confidence Survey conducted in March (*Why Business Loves Inflation, BT* May 1, 2011, also on www.businesstoday.in/BCI). A run on the rupee in such a situation, given the economy's high oil intensity, could take a couple of percentage points off the growth rate. But that risk has yet to materialise.

What has created the strong outlook for the rupee? Several factors, according to experts. For one, traders in the foreign exchange market believe that the recent oil supply problems are localised in nature and scope. In 2008, a surge in Asian demand was perceived to be a bigger crisis as it would have drastically altered the supply-demand and pricing equations over the long term. In contrast, the current crisis is confined to a few countries and has yet to touch powerhouse suppliers like Saudi Arabia and Iran. World oil production figures remain high. "The jury is still out on whether the oil price hike is sustainable," says Harihar Krishnamurthy, Head of Treasury at Credit Development Bank.

"The rupee's strength is slightly out of tune with what the market reaction should be to high oil prices. I don't expect a dramatic decline of the rupee"

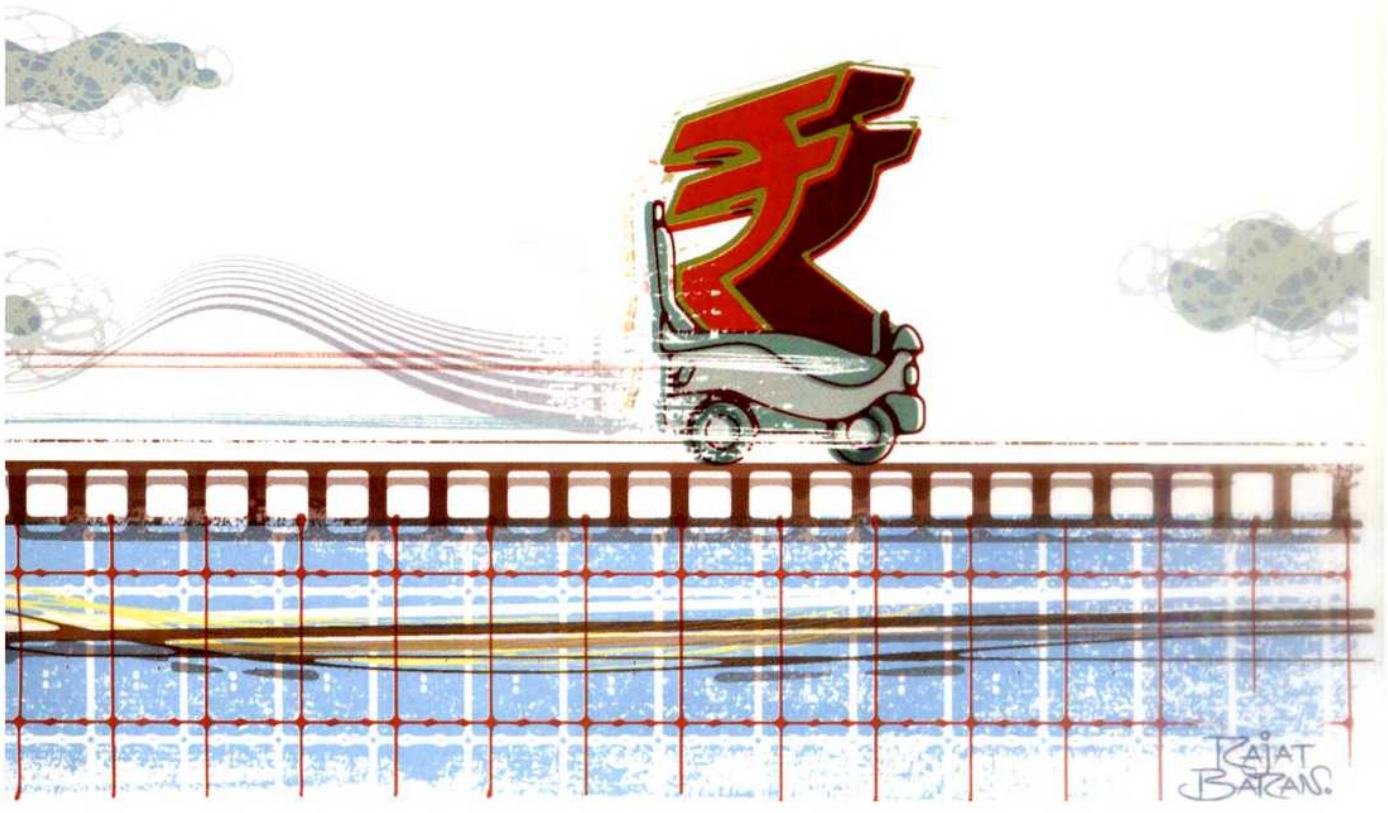
HEMANT MISHR, Head, Global Markets, Standard Chartered Bank

Dollar to the Rescue

The rupee has also been buoyed by a persistently weak US dollar, a trend that analysts predict will continue through 2011 as the world's largest economy struggles to resolve the problem of a near-crippling fiscal deficit. "One of the major reasons for the strong rupee is the weak dollar. On a real, effective exchange rate basis, the dollar has lost sharply against the Euro and the rupee as well," says Mishr.

Foreign institutional investors, or FIIs, have been bringing a steady stream of dollar investments into Dalal Street this year. The slow pace of recovery in developed economies, the unwillingness of the US Federal Reserve to raise interest rates and the recent crisis in Japan have all combined to keep intact India's attractiveness as a destination for foreign investments.

Even though longer-term investments are yet to pick up, FIIs have invested $3.6 billion into Indian eq-



uities and debt markets so far this year. This is lower than the $10.3 billion invested during the corresponding period last year but still high enough to provide a steady supply of dollars to meet demand.

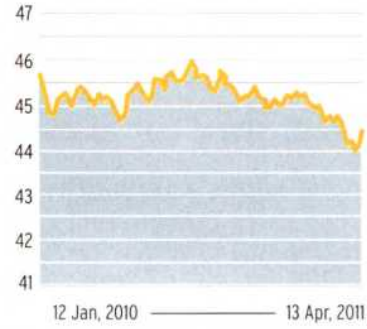
In 2008, in contrast, the oil crisis was accompanied by a flight of foreign institutional investments from Indian markets. FIIs had pulled out $9.3 billion from Indian equity and debt markets that year. As long as the supply of dollars continues, the rupee is likely to remain stable. "Sustained easy liquidity in the United States and Japan means more and more money in emerging markets," says Mishr. "India is hand in hand with that." But FII inflows do not always stabilise the rupee. The past year saw the return of foreign investors to Indian equity markets, pumping in $39.4 billion. But the exchange rate remained volatile.

The real calming effect on the rupee comes from a drop in the current account deficit, or CAD, prompted by a surge in exports. The CAD reflects a country's trade in goods and services and its remittances from abroad. Countries that are net creditors to the world run a surplus, while net debtors run a deficit. For years, India has run a significant CAD due to its high import bill. It was two per cent of the Gross Domestic Product, or GDP, or $9.7 billion, in the quarter ended December 2010, compared to 4.1 per cent of GDP in the quarter before that ($16.8 billion). A persistent CAD weighs on the rupee as the country has to finance its debt ultimately.

But exports are on the rise. Exports rose by 37.1 per cent to $245.9 billion for the 2010/2011 fiscal year, far above a projected $200 billion. "If exports take off, it lends more strength to the rupee than investor money coming into the debt or equity market," says Krishnamurthy.

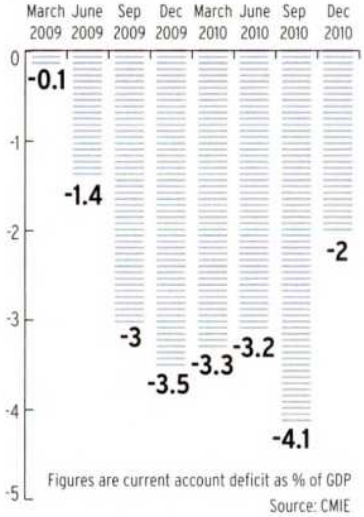
The rupee also owes its strength to India's comfortable $300-billion foreign exchange reserves as well as

The rupee has moved in a narrow band since January...



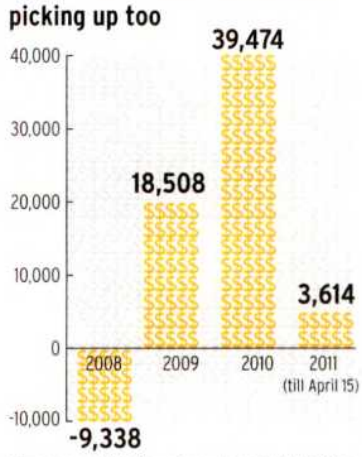
Figures are rupee-dollar exchange rate in ₹ Source: RBI

...As increased trade is improving the current account deficit...



Figures are current account deficit as % of GDP
Source: CMIE

...And "hot" dollar inflows are picking up too



Figures are net FII inflows in equities and debt in $mn
Source: Sebi

SANTOSH

the fact that the country's imports are mostly inputs for its manufacturing sector and not consumer products, all of which reduces somewhat the vulnerability of the Indian economy and, therefore, of the rupee to the global oil price situation, says Krishnamurthy.

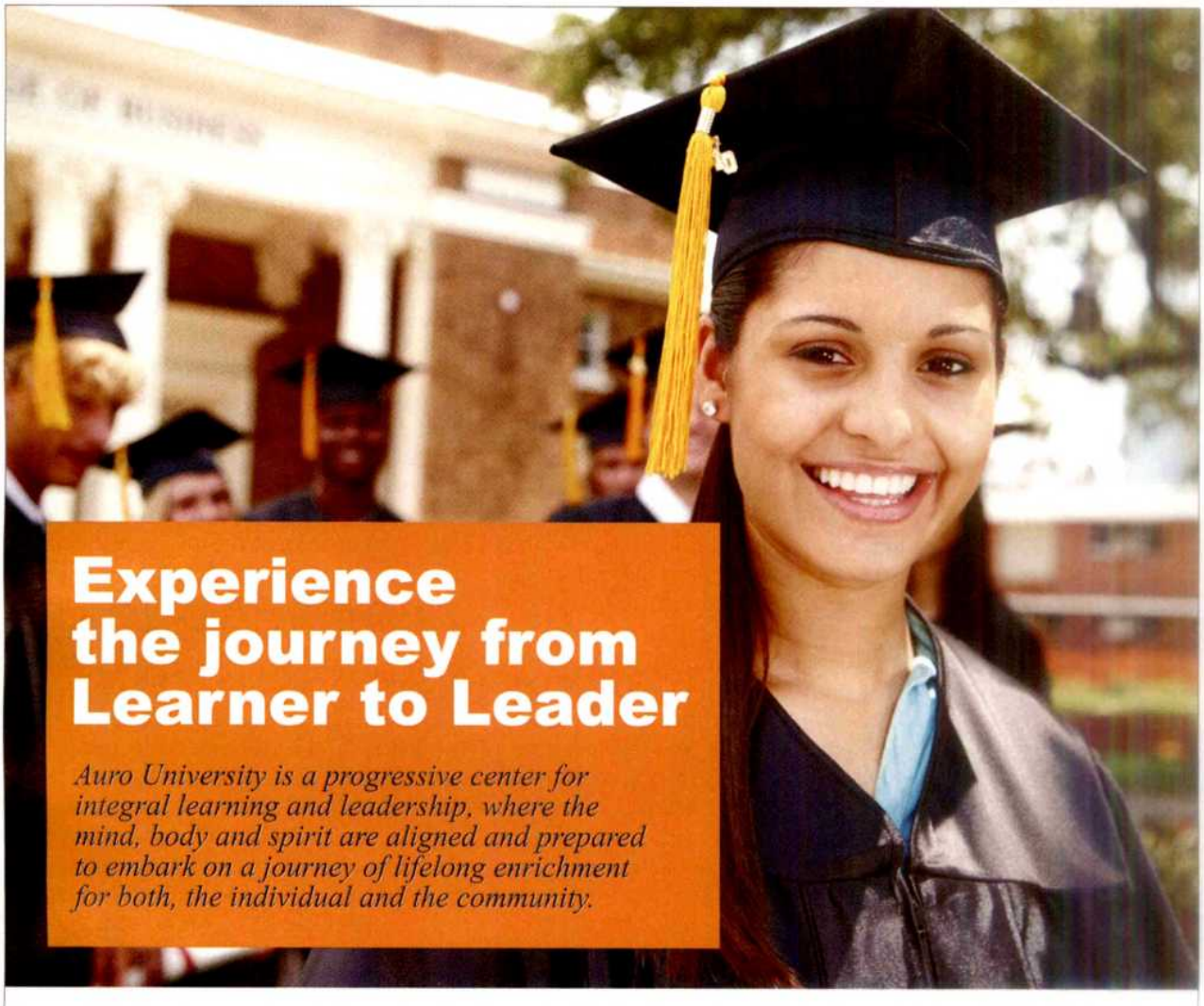
So, has the rupee developed immunity to global shocks? Not yet, say experts. The current scenario presents a happy confluence of positive factors, but a sudden change in any of them – a movement by FIIs towards other markets, for example – could trigger a run on the rupee. For long-term strength of the rupee, the nation will have to make significant changes in its export portfolio, which has historically relied on software services.

"It is a question of how long we can rely on services and information technology alone," says B.L. Pandit, the RBI Chair Professor at the Indian Council for Research on International Economic Relations, or ICRIER. Rising exports to new markets like Latin America, where India is looking at trade agreements with nations like Chile, is good news. A rise in manufacturing and engineering exports will also buffer the rupee in the long term.

"We're seeing good tentative signs on the trade deficit side but it is too early to say if these are structural gains that can be forecasted into the future," says Mishr.

He adds that if India wants to become more resistant to oil price shocks, it will have to invest more seriously in alternative forms of energy and energy independence.

If oil prices continue to rise, Krishnamurthy says they could drag the rupee down, as crude importers look to buy dollars to supply a nation that imports nearly 75 per cent of its energy requirements and has traditionally been viewed as very susceptible to volatility in global oil prices. But an exchange rate shift like the one in 2008 remains an unlikely possibility for now. ◆



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UNIT 83

Politicians Need to Grow up in a Hurry

In the past three decades, we have seen a precipitous decline of the institutions of a Constitutional democracy in India. We have moved to a phase of populist democracy. The line of demarcation between a populist democracy and mob rule is often thin and indistinguishable.

If you do not strengthen the institutional safeguards of Constitutional democracy, no amount of curative institutions such as Lokpal, Ombudsmen and the like, will be of much use. We must take steps to ensure a choice of right judges to the courts, right personnel at the Election Commission, right members of elected bodies. Insisting on a powerful Lokpal alone is something akin to opening up new graveyards in anticipation of an epidemic outbreak.

For full text of column go to
www.businesstoday.in/venkatachaliah

The next decade of this century is going to be the most stunning for our civilisation. The tremendous exploits of science, particularly in biology, will influence the future of man on this planet. Our contribution in this field is dismal. Take, for instance, how many Fellows of the Royal Society are from Australia: 168. India is 50 times its population but we have about 18. Without excellence in science, you will have no technological support for economic development. We need at least 15 per cent of our population between 18 and 24 years in universities. We have now just about eight per cent. And, this does not factor in the poor quality of our university education.

Insisting on a powerful Lokpal alone is something akin to opening up new graveyards in anticipation of an epidemic outbreak.

Then, there is a marked deficit in the legitimacy of democratic representation in our Parliament and our legislatures. Sixty-eight per cent of our members of Parliament, it is said, are elected on a minority vote. The Election Commission is on record that in the state legislatures, if a candidate gets 25 per cent of votes polled, he has a fair chance of getting elected, being first-past-the-post. That means if a person gets 12 per cent of votes of the electorate, he has a chance of succeeding. More people have voted against him in his own constituency than the votes he has been able to secure. There are tried and tested systems such as negative vote, power of recall, 50 per cent plus one vote as eligibility, among others, which may have to be tried out in India.

In France, a commission — it had Nobel laureates Amartya Sen and Joseph Stiglitz on it — set up to examine measurement of economic growth and social progress found that there is a marked distance between the standard measures of important socio-economic variables and the public perception of the official versions of it. Both in France and in the UK, it said, only a third of citizens trust official figures. In India, no one seems to even trust them.

The upshot of these omissions for over 60 years is there for all to see. In these volatile times, you cannot manage things by being clever. Politics must rise above politics of vengeance, politics of retaliation and politics of hoodwinking people. Political leaders need to grow up in a hurry. We badly need great statesmen who can steer the country out of the mess that we have made of it.

In this background, any Lokpal set-up has its own limitations. It will survive only if it takes into account the need to strengthen every other institution of Constitutional safeguards. Otherwise, to borrow the words of Nani Palkhivala, it will not take us to heaven but it might only serve to delay our precipitate descent to hell.◆

The author is a former Chief Justice of India. He also headed the National Commission to Review the Working of the Constitution
As told to K.R. BALASUBRAMANYAM

Who Will Cast the First Stone?

The three men stood up, glowered at me, and began shouting in chorus. They ignored the business card I had introduced myself with. How dare I complain that there was undue delay in delivering my LPG cylinder? They leaned forward menacingly. We shouted at each other. Then I walked out. The next day the owner of the gas agency called me. He was obsequious, contrite. I would never again face a problem in getting cooking gas. It would be delivered instantaneously. I was flummoxed. What had changed? Then it dawned on me: the man had studied my business card. I was Somebody. I might be able to do Something to him.

Venality does not only involve money. We live in a land suffused by power, influence and patronage. Our lives are steeped in a million shades of grey.

Anna Hazare's fast in early April gave voice to the rising despair among ordinary Indians about the muck they are sinking into. But is the former Indian Army driver from Ralegan Siddhi village a messiah or a demagogue? Hazare says "India needs an Egypt." He must be careful what he wishes for. Revolutions have a habit of devouring their children: remember Leon Trotsky, Abolhasan Bani-Sadr, and Che Guevara.

The Jan Lokpal Bill may need to move from idealism to realism; the solution may also lie in granting independence and teeth to existing agencies created to fight corruption

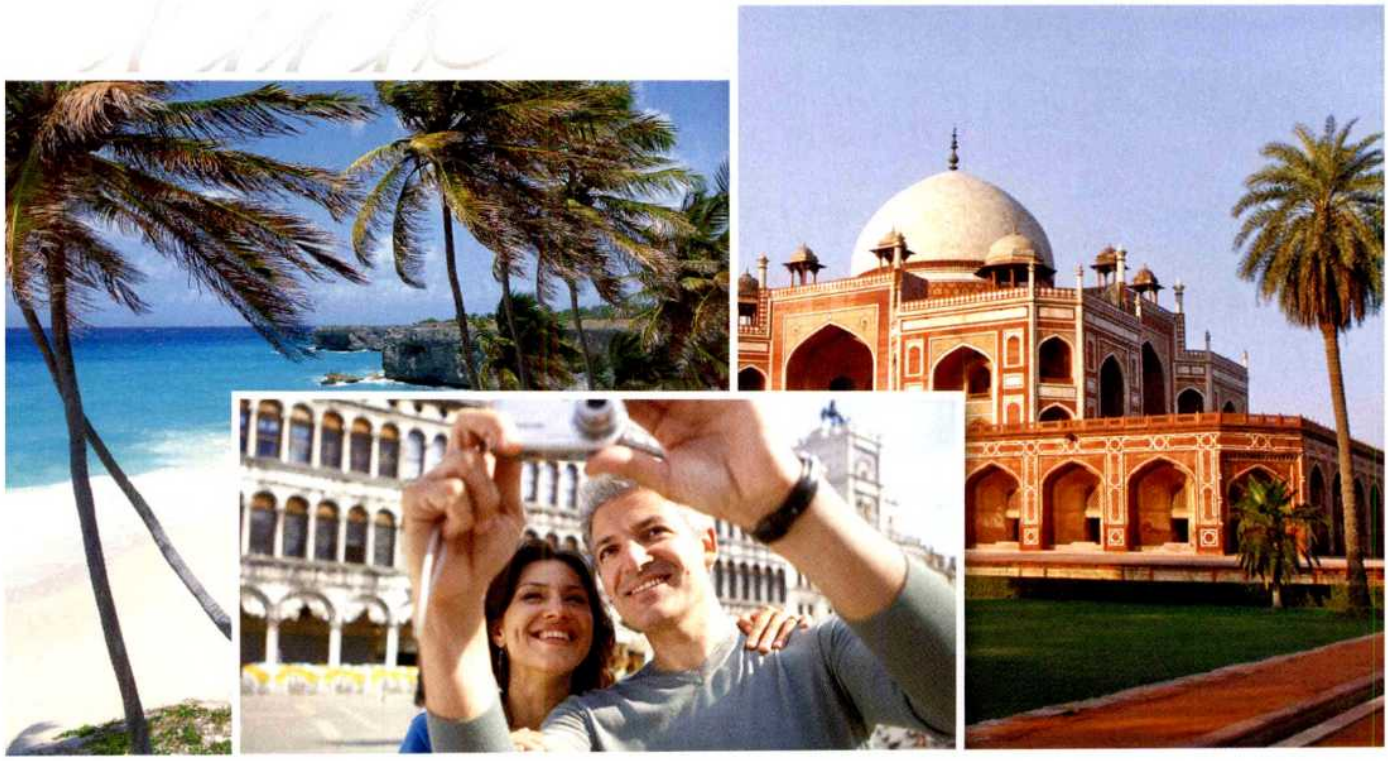
Do we really need a Star Chamber to pronounce judgment on corruption? There is good cause for mass anger. The government's own Lokpal Bill has been introduced eight times since 1968. As Hazare and his close collaborator Arvind Kejriwal point out, none of the existing anti-corruption instruments seems to work.

The Jan Lokpal Bill may need to move from idealism to realism: the solution may also lie in granting independence and teeth to existing agencies created to fight corruption, like the Chief Vigilance Commissioner, the Lokayuktas, the Comptroller and Auditor General of India, and the Central Bureau of Investigation. The Lokpal definition is idealistic, its search and arrest powers sweeping, and its descriptions of corruption expansive (go to *www.indiaagainstcorruption.org* for details).

Equally vaulting is the proposed punishment for corporate corruption. "...if the beneficiary is a business entity, in addition to other punishments mentioned in this Act and under the Prevention of Corruption Act, a fine amounting to five times the loss caused to the public shall be recovered from the accused and the recovery may be done from the assets of the business entity and from the personal assets of all its Directors, if the assets of the accused are inadequate," the Jan Lokpal Bill says.

A number of cultures, fungi and bacilli are already beginning to invade the Hazare petri dish. There is criticism, and scepticism, and dissent, and even over-enthusiasm on the part of the newly-minted crusaders. We need to focus on the central task, of constructing a fair and constitutional way to stem the rot.

Gopalkrishna Gandhi, the Mahatma's grandson, says it is prudent that we give the process of drafting new anti-corruption legislation some time and space. "Now the drafting committee is one entity on which responsibility rests collectively. It cannot exist in two halves," Gandhi says. "In pictures of the first session, 'civil society' representatives were seated on one side and the government representatives faced them from the opposite end. This is not a management-trade union negotiation. The committee's success will be a joint success, its failure a joint failure."◆



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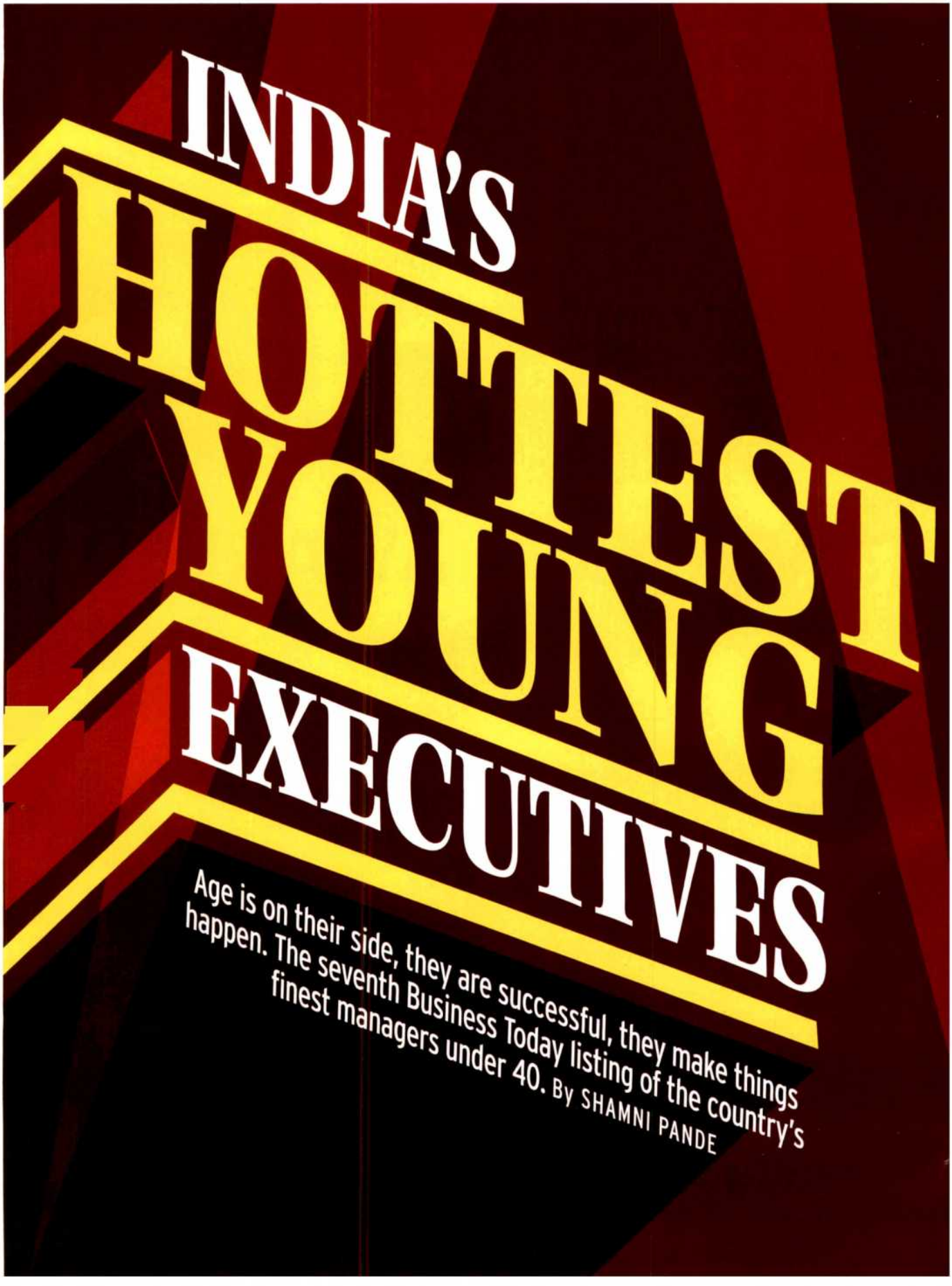


INDIA'S HOTTEST YOUNG EXECUTIVES

Age is on their side, they are successful, they make things happen. The seventh Business Today listing of the country's finest managers under 40. By SHAMNI PANDE

Humans are wired to be more interested in young people. "Hypothetically, if your grandmother wrote the best song in the world, no one would care," blogs workplace satirist Scott Adams, creator of *Dilbert*. Provocative as that sounds, it is difficult to deny the fascination the world has for young achievers. Given India's demographic tilt in favour of youth, combined with the threatening skill shortage that companies face, the onus of spotting achievers early is becoming a survival strategy for most organisations.

As *Business Today* unfolds its seventh edition of India's Hottest Young Executives, or HYEs, it becomes clear that what began as a project to record the change in Corporate India's leadership profile – that was opening up to younger leaders in 2002 – is today turning out to be a definitive list. Fast movers such as Salil Parekh (now a member of Capgemini Group's Executive Committee) or Nirvik Singh (now CEO, Grey Group, Asia Pacific) featured in our first list have gone on to take global mandates (see *Past HYEs Forge Ahead* on page 52). Manisha Girotra has become CEO of the banking operations of UBS from being the head of UBS Securities in India.

Thanks to a fairly constant set of counsellors (*see The Panelists*) who help us unearth young achievers every year, we have been able to include people from diverse sectors and companies outside the comfort zones such as Hindustan Unilever, Tata Group and GE, or even companies in investment banking and financial services or information technology.

So, how do we do it? It is a good question to ask, given that companies are paranoid about revealing their gems for competitive reasons. Luckily, with the best headhunters on our side, we have been able to at least

THE PANELISTS

"Companies are seeking diversity in gender, nationality, education, and are being inclusive in their approach"

TORAL PATEL, SENIOR DIRECTOR, ACCORD GROUP

"Stability does help as many large Indian business houses support in-house talent for 'C' level positions"

KALYANI S., ASSOCIATE DIRECTOR, STANTON CHASE

"Companies are asking for talent that is varied in skills and can manage in a multitude of business environs"

PURVI SHETH, CEO, SHILPUTSI CONSULTANTS

"Employee engagement, effective communication are the two key challenges for organisations. Those managing it well have motivated teams"

HASTHA KRISHNAN, DIRECTOR & PRESIDENT, MA FOI/RANDSTAD

identify candidates.

We have Kalyani S., Associate Director at Stanton Chase International, Toral Patel, a Senior Director at Accord Group India, Hastha Krishnan, Director & President of Ma Foi/Randstad, and Purvi Sheth, CEO of Shilputsi Consultants. They collectively drew up a 100-strong list and subsequently in a round table discussion spent hours debating the names to throw up the true achievers. Common industry segments were grouped to prevent the list from getting loaded in favour of any one segment. Care was taken to avoid bunching of too many similar job profiles, and a robust debate ensured that no one kind of job was edging out others. Thereafter, the discussion focused on:

- The individual's record and consistency
- Contribution to an organisation's bottomline and other objectives
- People management skills
- Ability to deal with start-ups, and/or fast growth situations
- Passion and ability to influence key stakeholders

It was fascinating to see how winners emerged from a list of 100 names, especially since almost all were minted from the best colleges or B-schools, and had worked for heavyweights. Often, a star performer failed

PAST HYEs FORGE AHEAD

MANISHA GIROTRA

(BT: HYE 2004) Then 34, she was Managing Director, UBS Securities, India

What BT said then:

The self-confessed deal junkie who says she is happiest "when winning deals" ... (is)busy with cross-border deals of the kind that have become UBS's speciality

TODAY:
She is CEO and Country Head, UBS India

SALIL PAREKH

(BT: HYE 2002) Then 38, he was CEO CGE&Y India and COO, CGE&Y, Asia Pacific

What BT said then:

If Parekh's targets are any indication, he can't wait to get started: over the next three years he proposes to hike revenues and workforce a staggering 12 times

TODAY:
He is a member of Capgemini Group's Executive Committee

RUCHIR SHARMA

(BT: HYE 2002) He was then Executive Director, India, Morgan Stanley Investment

What BT said then:

He is so young, he refuses to give his exact age. "The only reason I am in this industry is my passion for markets, especially global ones," says Sharma

TODAY:
He is MD, Head of global emerging markets equity team and Portfolio Manager at Morgan Stanley Investment Management

NIRVIK SINGH

(BT: HYE 2002) Then 39, he was CEO, Grey Worldwide, India

What BT said then:

In 1997, "there were reports every day about how we were closing down," Singh recollects. Grey now boasts revenues of ₹283 crore

TODAY:
He is Chairman and CEO, Grey Group Asia Pacific

to make the grade because he or she had no recent achievement. Sometimes, as in the case of Soumya Goswami on this year's list, they stand out as they are in a new area in which there are relatively few contenders with such skills.

Every year, we try to list the top 25, but face the occasional hurdle when a candidate opts out because his or her employer does not wish the world to know it has a star.

Our most famous but reclusive candidate was Nitin Paranjpe. We put him on our list in 2002 when he was the head of fabric wash at what was then Hindustan Lever Ltd or HLL. But neither Paranjpe nor HLL wanted him featured. Today, Paranjpe is the CEO and Managing Director of HLL's new avatar, Hindustan Unilever Ltd.

Our experience suggests that the hottest performers are people who know their minds, and have not been swayed by temptations and moved on to other jobs in the face of challenges.

Kalyani of Stanton Chase says there are both movers, and those who stay on. But the scales are tilted in favour of those who stay long enough to build a sustainable business.

Then there is the culture of the industry and the corporate to consider. "If it is a large Indian business house, it always supports in-house talent for 'C' level positions. In such groups, there is an 'organ-rejection' which occurs when you infuse talent from outside," says Kalyani. In sunrise sectors, on the contrary, external talent is offered key positions since new people bring fresh perspectives.

At the end of the day, it is not about moving or staying on in one job, but about what one does at the job. Entrepreneurial dreams can also prompt an HYE to quit a job. So, two *BT* HYEs of the past, Bobby Parikh (2002) and Mukesh Bhutani (2004) have since teamed up at BMR Advisors. In the current list, Jagdish Mahapatra of Cisco says he harbours start-up dreams.

Given the range of their talents, and the diversity of interests it becomes difficult to put any clear pattern to the achievers – except, of course, their burning ambition and passion for excellence. Just as there are stereotypes, there are as many exceptions to break the urban legends.

Besides, diversity is a key issue, the final winner in the mix. As companies battle often unpredictable economic swings and a fusion of cultures, this attribute is being sought the most. "Companies are asking for talent that is varied in skills and can manage in a multitude of business environs," says Sheth of Shilputsi. According to her, skills should also be applicable in different jobs so people can play different roles in an organisation, even at a time of change in business strategy or altered execution plans.

Gender diversity is not the only agenda that is becoming critical. "We find the diversity aspect playing out on many fronts," says Patel of Accord. According to her, "Companies are seeking diversity in gender, nationality, education and are being inclusive in their approach."

Maybe that is why we have on our list: former hockey Olympian Viren Rasquinha, who went to the elite Indian School of Business at Hyderabad and is today chief operating officer of Olympic Gold Quest. Then there is Aditya Ghosh, a lawyer, who heads one of the most successful airlines in the country today.

Enough about success. Headhunters are actually eager to meet HYEs with a difference – people who have dealt with setbacks in business or, at a personal level, have an athlete's attitude. Many would not disagree with what Bhutani had to say when we profiled him in 2004. "I am biased towards people who have played competitive sport," he told us, referring to his approach to hiring. "They are resilient, can work in teams, and accept defeat." ◆

Is there a pattern to youthful achievement? Most of those profiled displayed some common features

MBA Degrees
Barring a few, who are lawyers or engineers, most of our Hottest Young Executives are MBAs

Willingness to Learn
Hot trackers are constant learners. They are forever trying to pick up new skills, be it a new language, or a new way of solving problems

Keenness to Stay Fit
Sportsman's spirit is crucial in business. It helps if you are an athlete, but if not, an hour at the gym daily is a must to beat stress

Loyalty
Especially in these times of change, staying in the same company for a lengthy period is useful. It allows you to understand the system and implement ideas

Workaholics Welcome
Whatever senior executives might say about work-life balance, most of them put in well over 80 hours a week at work

Hobby as Therapy
Often breakthrough solutions to work-related problems come to mind while taking a short break, maybe playing a game of chess or working in the kitchen

Turnaround, or Start Up
Most young achievers have either had fire-fighting stints and come out on top, or have been involved with successful start-ups. Or at least, they nurture dreams of turning entrepreneurs

Sanket Akerkar, 38,
MD, Microsoft India

BEEN THERE
His role has been enterprise focused, identifying areas that will create business value

DONE THAT
Dealt with people problems

ANECDOTE
I was 24, working with McKinsey & Co. When I introduced myself to a client, he asked: "When did you graduate from kindergarten? Yesterday?" My response: "No, two days ago"

FITNESS
Was a dirt-biking enthusiast in the US. In India, plays golf and squash

People Leader

It was while working in the United States with management consultancy McKinsey & Co, and later with Microsoft, that Sanket Akerkar learnt the tricks of the trade. Akerkar soaked in whatever his seniors had to offer and picked up helpful tips from his peers.

All that has stood him in good stead since he was posted to India seven months ago as Managing Director of Microsoft India. It was his first job in the country and gave him an opportunity to put all his learning to work. Having already learnt how to create business value for customers, he is now at a sweet intersect: deliver business value while being a passionate leader of people. For Akerkar, it is more important to understand and solve people-related problems rather than business problems. "Most people solve business problems, but they don't solve people problems," he says.

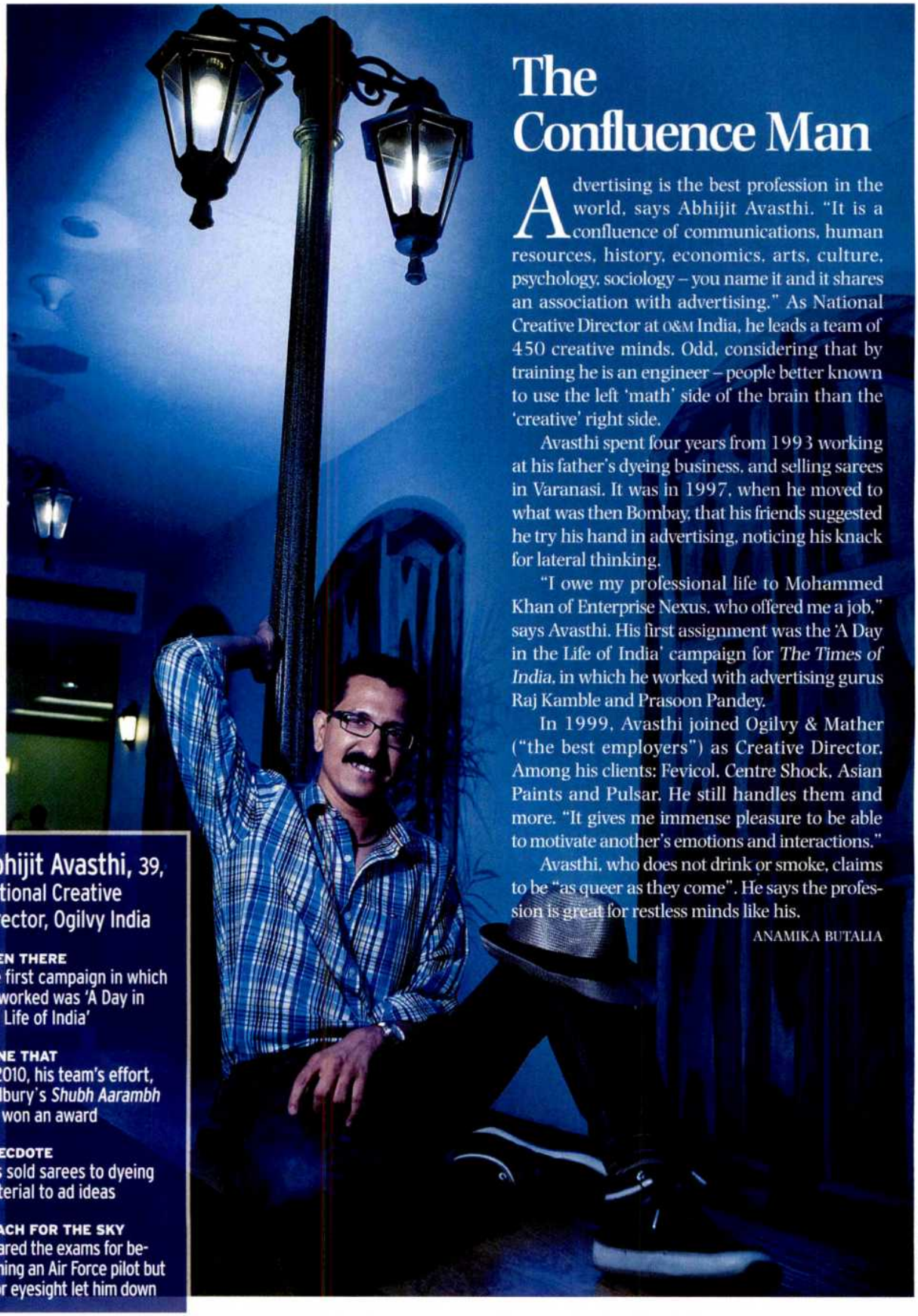
According to Akerkar, the information technology industry in India is a conundrum. Connectivity will drive growth. From Microsoft's standpoint, he sees devices becoming more ubiquitous.

Looking at the downside, his plum role has come at a cost – Akerkar has had to give up dirt biking, a popular adventure sport in the US. He has adjusted quickly, now plays squash and golf on weekends. And while on vacation, he does not work, does not even take phone calls or read mails. "When I am off on vacations, I am completely off. Finding downtime is important," he says.

So, does he have a mentor? Someone famous? The answer: an emphatic "no".

SUNNY SEN

VIVAN MEHRA



The Confluence Man

Advertising is the best profession in the world, says Abhijit Avasthi. "It is a confluence of communications, human resources, history, economics, arts, culture, psychology, sociology – you name it and it shares an association with advertising." As National Creative Director at O&M India, he leads a team of 450 creative minds. Odd, considering that by training he is an engineer – people better known to use the left 'math' side of the brain than the 'creative' right side.

Avasthi spent four years from 1993 working at his father's dyeing business, and selling sarees in Varanasi. It was in 1997, when he moved to what was then Bombay, that his friends suggested he try his hand in advertising, noticing his knack for lateral thinking.

"I owe my professional life to Mohammed Khan of Enterprise Nexus, who offered me a job," says Avasthi. His first assignment was the 'A Day in the Life of India' campaign for *The Times of India*, in which he worked with advertising gurus Raj Kamble and Prasoon Pandey.

In 1999, Avasthi joined Ogilvy & Mather ("the best employers") as Creative Director. Among his clients: Fevicol, Centre Shock, Asian Paints and Pulsar. He still handles them and more. "It gives me immense pleasure to be able to motivate another's emotions and interactions."

Avasthi, who does not drink or smoke, claims to be "as queer as they come". He says the profession is great for restless minds like his.

ANAMIKA BUTALIA

Abhijit Avasthi, 39,
National Creative Director, Ogilvy India

BEEN THERE
The first campaign in which he worked was 'A Day in the Life of India'

DONE THAT
In 2010, his team's effort, Cadbury's *Shubh Aarambh* ad, won an award

ANECDOTE
Has sold sarees to dyeing material to ad ideas

REACH FOR THE SKY
Cleared the exams for becoming an Air Force pilot but poor eyesight let him down

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Challenge Seeker

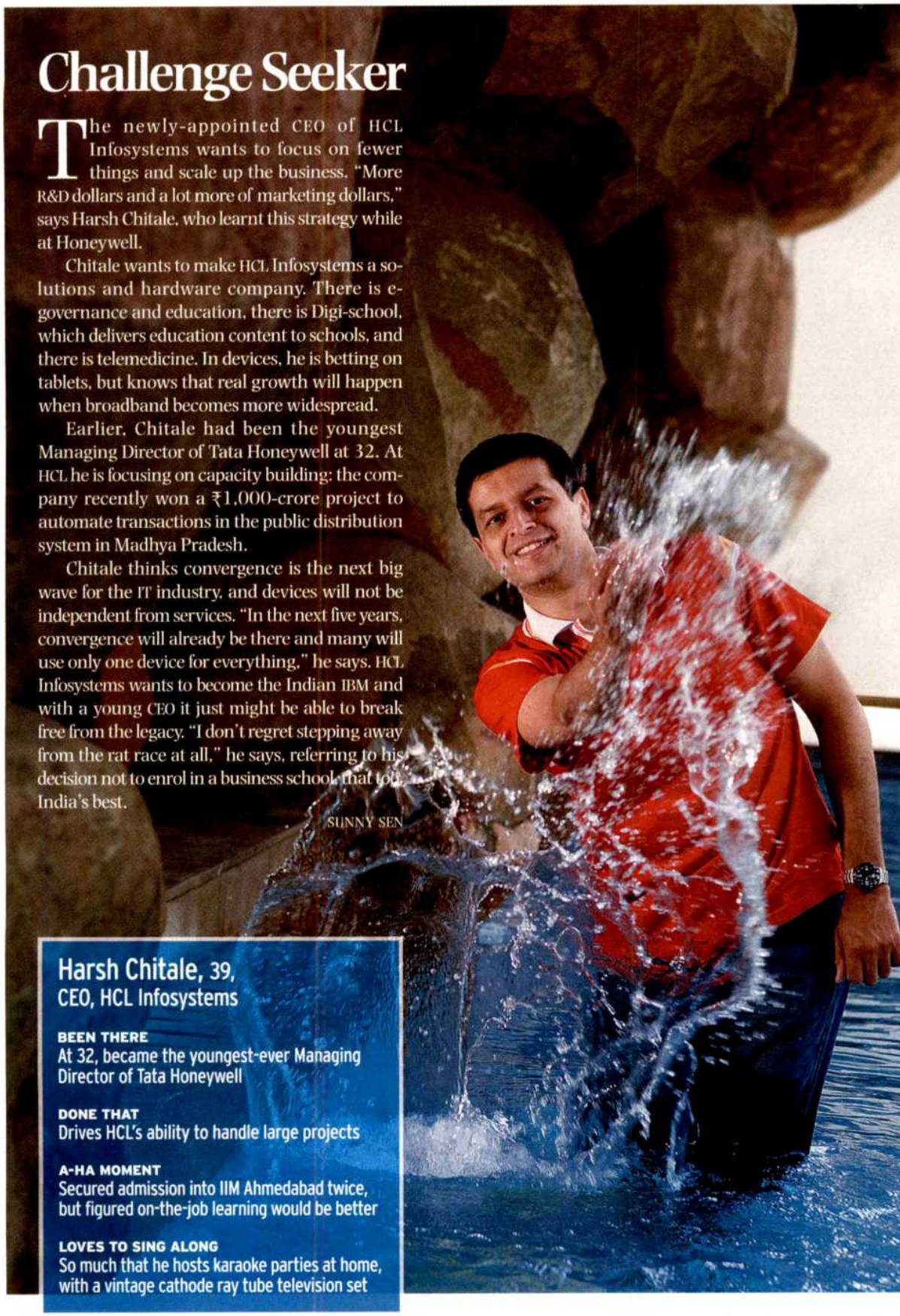
The newly-appointed CEO of HCL Infosystems wants to focus on fewer things and scale up the business. "More R&D dollars and a lot more of marketing dollars," says Harsh Chitale, who learnt this strategy while at Honeywell.

Chitale wants to make HCL Infosystems a solutions and hardware company. There is e-governance and education, there is Digi-school, which delivers education content to schools, and there is telemedicine. In devices, he is betting on tablets, but knows that real growth will happen when broadband becomes more widespread.

Earlier, Chitale had been the youngest Managing Director of Tata Honeywell at 32. At HCL he is focusing on capacity building: the company recently won a ₹1,000-crore project to automate transactions in the public distribution system in Madhya Pradesh.

Chitale thinks convergence is the next big wave for the IT industry, and devices will not be independent from services. "In the next five years, convergence will already be there and many will use only one device for everything," he says. HCL Infosystems wants to become the Indian IBM and with a young CEO it just might be able to break free from the legacy. "I don't regret stepping away from the rat race at all," he says, referring to his decision not to enrol in a business school, that too, India's best.

SUNNY SEN



VIVAN MEHRA

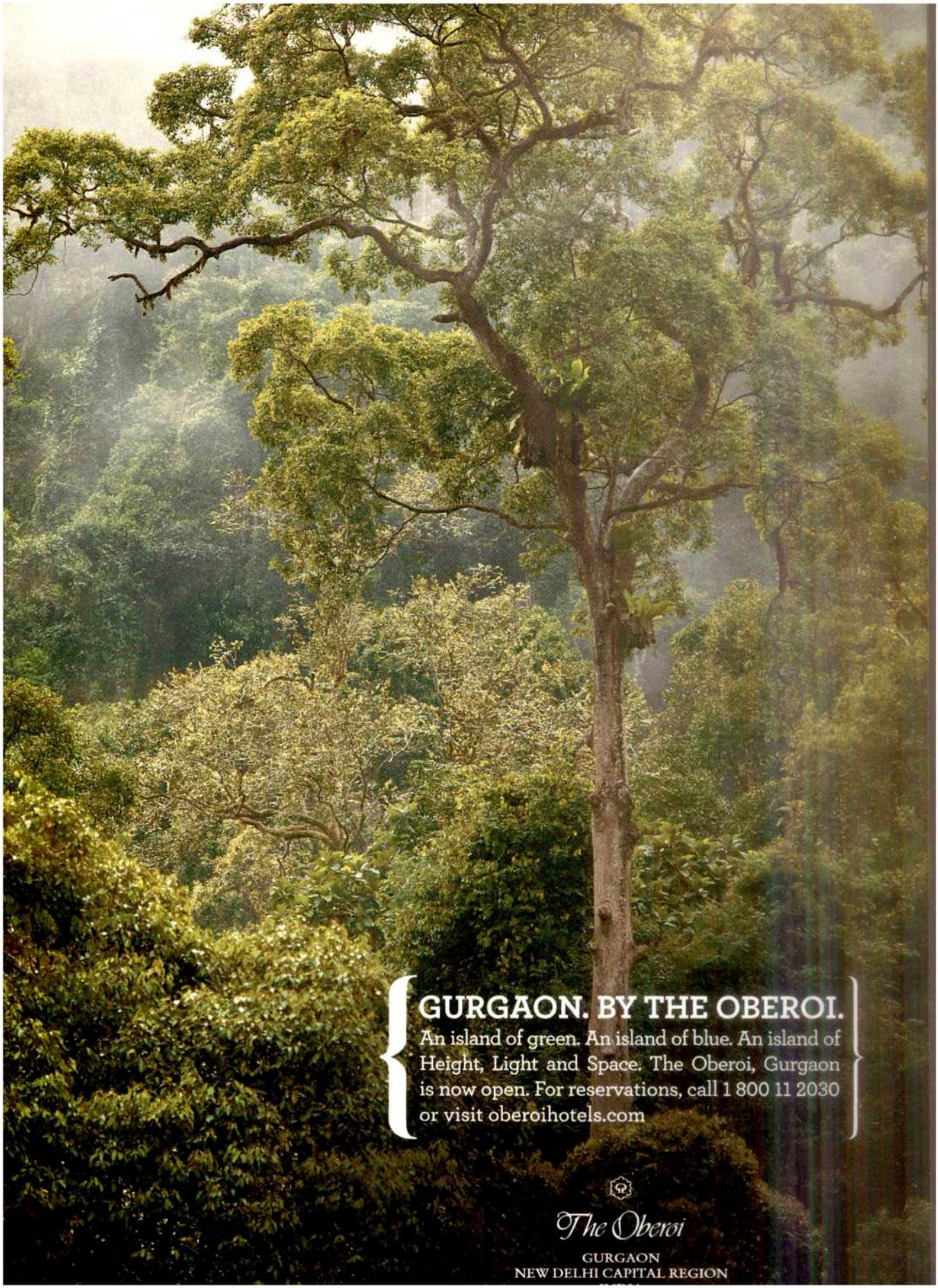
Harsh Chitale, 39,
CEO, HCL Infosystems

BEEN THERE
At 32, became the youngest-ever Managing Director of Tata Honeywell

DONE THAT
Drives HCL's ability to handle large projects

A-HA MOMENT
Secured admission into IIM Ahmedabad twice, but figured on-the-job learning would be better

LOVES TO SING ALONG
So much that he hosts karaoke parties at home, with a vintage cathode ray tube television set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The High-flying Lawyer

As a first year student at Delhi University's law faculty, Aditya Ghosh once grilled a friend's father about the legal profession (Ghosh was then still thinking of joining a B-school). That gentleman, legal eagle Jyoti Sagar, was impressed by Ghosh's demeanour and invited him to be his executive assistant. He later took him on as his only junior lawyer in the landmark basmati and turmeric patent cases.

At 28, Ghosh bagged the job of General Counsel for InterGlobe Enterprises, a travel services company that was a client of J. Sagar Associates. He worked on the IndiGo airline's 100-aircraft deal. When the three-year term of IndiGo's first CEO, Bruce Ashby, ended in 2008, IndiGo's promoters Rahul Bhatia and Rakesh Gangwar had no doubt Ghosh was the ideal person to succeed him.

Ghosh's lack of a B-school qualification did not matter: they liked his ability to connect with employees and his inherent leadership qualities.

Employees of most airlines typically never get to see the head office or any office if they are pilots or stewardesses, but even today Ghosh ensures he is accessible to IndiGo's 4,000 employees spread over 26 cities. A senior executive says Ghosh has met most of them.

The self-deprecating Ghosh ("I am talentless and lazy") gives all credit to Team IndiGo. "I simply happened to be at the right place at the right time," he says.

His regular office wear: T-shirt, jeans, fleets and his IndiGo I-card lanyard. Work-life balance is an alien concept for him. While his phone is never switched off, unless he is on a flight, he told *BT* that his biggest victory the day we met him had been getting his three-year-old daughter to wear the correct pair of shoes to school. "She thinks she is 18... getting her ready for school every morning is an achievement," says Ghosh.

Ghosh has lived up to Bhatia and Gangwar's expectations, taking IndiGo to within kissing distance of the No. 1 spot in Indian skies, in just three years.

PUJA MEHRA

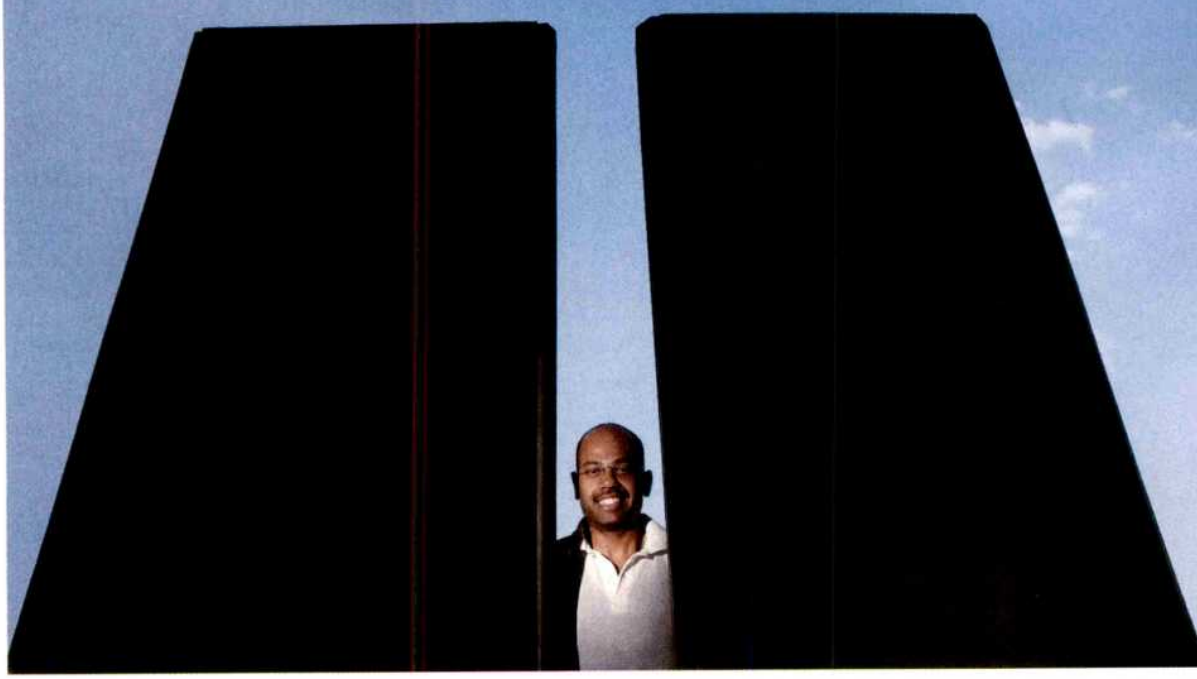
Aditya Ghosh, 36,
President, IndiGo

BEEN THERE
Was General Counsel of InterGlobe Group at 28, President of IndiGo at 32. IndiGo has zoomed past heavyweights like Jet Airways, Kingfisher

DONE THAT
While studying law, he worked with legal eagle Jyoti Sagar

A-HA MOMENT
When IndiGo's first flight took off in 2005-06; and last year, when IndiGo was named the travel industry's best employer

FORMULA FOR SUCCESS
Be accessible to employees



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Honeywell That Ends Well

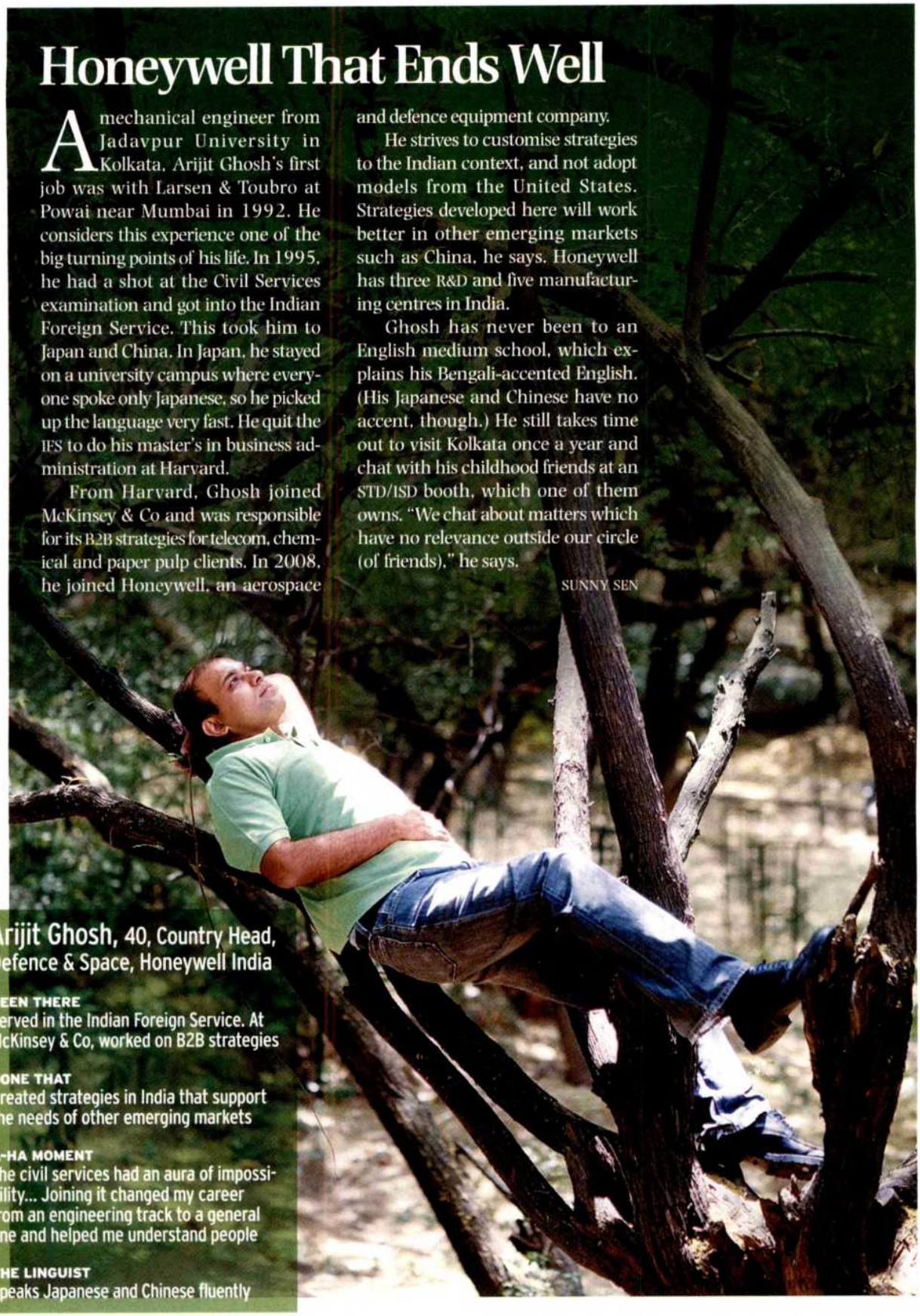
A mechanical engineer from Jadavpur University in Kolkata, Arijit Ghosh's first job was with Larsen & Toubro at Powai near Mumbai in 1992. He considers this experience one of the big turning points of his life. In 1995, he had a shot at the Civil Services examination and got into the Indian Foreign Service. This took him to Japan and China. In Japan, he stayed on a university campus where everyone spoke only Japanese, so he picked up the language very fast. He quit the IFS to do his master's in business administration at Harvard.

From Harvard, Ghosh joined McKinsey & Co and was responsible for its B2B strategies for telecom, chemical and paper pulp clients. In 2008, he joined Honeywell, an aerospace and defence equipment company.

He strives to customise strategies to the Indian context, and not adopt models from the United States. Strategies developed here will work better in other emerging markets such as China, he says. Honeywell has three R&D and five manufacturing centres in India.

Ghosh has never been to an English medium school, which explains his Bengali-accented English. (His Japanese and Chinese have no accent, though.) He still takes time out to visit Kolkata once a year and chat with his childhood friends at an STD/ISD booth, which one of them owns. "We chat about matters which have no relevance outside our circle (of friends)," he says.

SUNNY SEN



VIVAN MEHRA

Arijit Ghosh, 40, Country Head, Defence & Space, Honeywell India

BEEN THERE
Served in the Indian Foreign Service. At McKinsey & Co, worked on B2B strategies

DONE THAT
Created strategies in India that support the needs of other emerging markets

A-HA MOMENT
The civil services had an aura of impossibility... Joining it changed my career from an engineering track to a general one and helped me understand people

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Speaks Japanese and Chinese fluently

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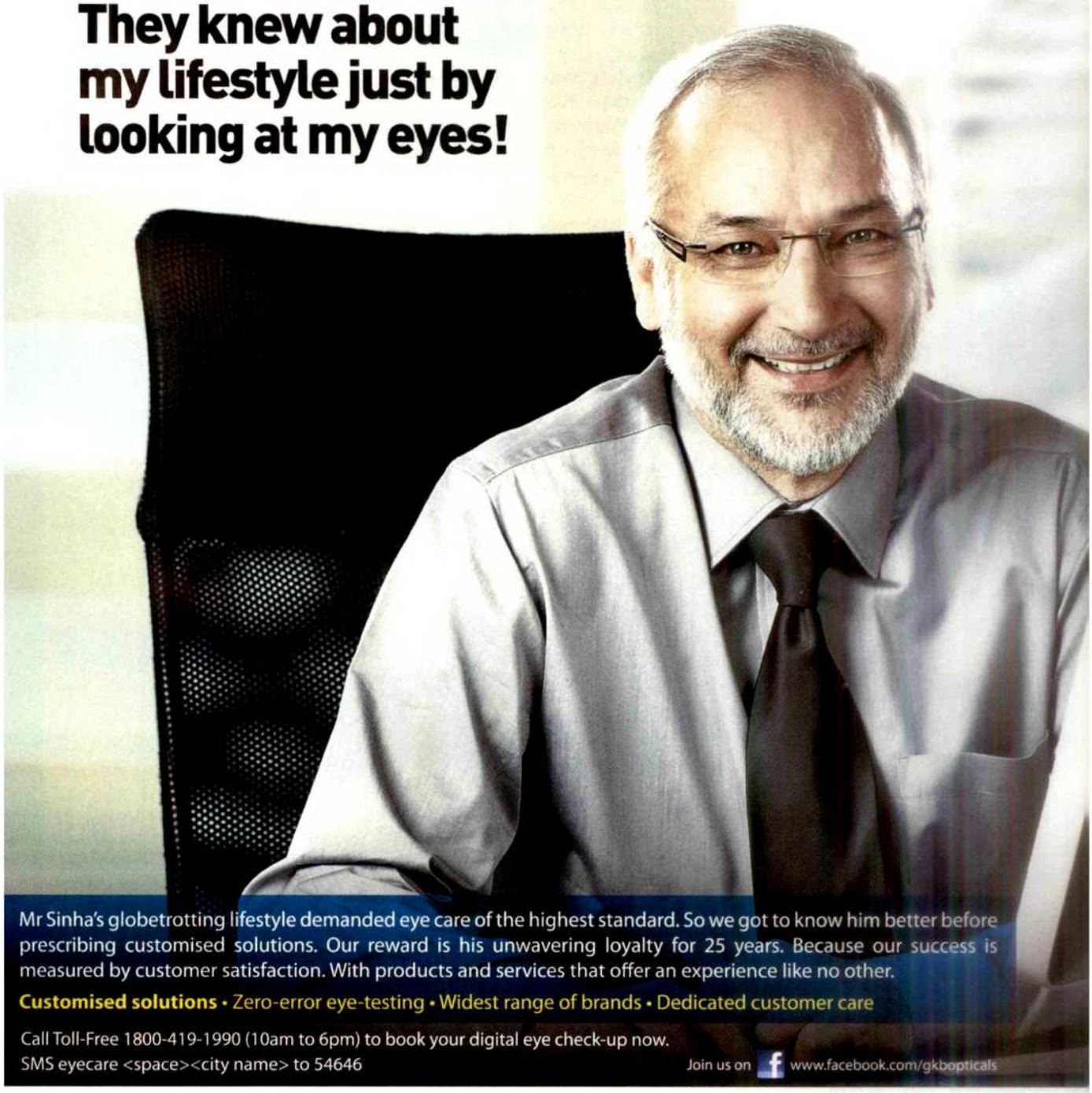

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No Slow Simmer, This

As with most chefs, this one's romance with food began at a young age, and not just by watching his mother cook. "I travelled all over and sampled a lot of local dishes thanks to my father's job," says Soumya Goswami. But, the career of this Executive Chef and Chef de Cuisine at the Oberoi Group has certainly not been a measured progression.

Goswami did his schooling at La Martiniere, Kolkata, studied Botany for a year in college, hated it and then went to the Institute of Hotel Management, Catering Technology & Applied Nutrition. "I had friends working in this profession, and really liked their work," he says. Then he went to the Oberoi School (now OCLD) in 1993, and stayed on with the group, after starting out at The Krishna Oberoi in Hyderabad and boutique hotels Rajvilas in Jaipur and Vanyavilas in Ranthambore.

He says his stints at Rajvilas and Vanyavilas were his most notable: "They were in the middle of nowhere, and it was about starting from scratch. I encouraged local farmers to produce for us." Specialising in Italian, pastries, Hyderabadi and Bengali food, Goswami has catered to the likes of Mukesh and Anil Ambani, Bill Clinton, Bill and Melinda Gates, and Warren Buffett.

He has launched eight restaurants, four hotels and two cruise liners, including the €600-a-night Nile cruiser Zahra, and the Oberoi Patisserie and Delicatessen at The Oberoi, New Delhi. He works for over 14 hours a day, but finds time to read. Not your usual thrillers. "I have over 600 cookbooks and cannot go to bed without reading one," he says. He plans to launch a cookbook next year, with pictures shot by him. (Photography is another passion.)"If you look at this as a job, then you can't be a good chef. It has to be a vocation. It has to be a hobby."

ANUMEHA CHATURVEDI

Soumya Goswami, 40,
Executive Chef and Chef de Cuisine, The Oberoi Group

BEEN THERE
Helped set up premium properties, including the Nile Cruiser Zahra

DONE THAT
Set up the Patisserie at The Oberoi, New Delhi, and helped with the Trident Gurgaon launch

ANECDOTE
At Rajvilas, Bill Clinton told me my apple pie was better than what he gets back home. That felt great as the apple pie was born in America

DON'T GIFT HIM
A cookbook. He has 600 of them

VIVAN MEHRA

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Sameer Kamdar, 37, CEO, ASK Investment Managers

BEEN THERE
The poster boy of the mutual funds industry, he brought in institutional investors

DONE THAT
Has doubled assets under management since he took over ASK Investment Managers in 2010

ANECDOTE
Bagged a rare Sunday appointment with N.R. Narayana Murthy of Infosys to initiate research coverage

FITNESS
Gym for an hour, on weekdays

Against the Grain

He claims his thought process is unconventional. "What is attractive to others does not appeal to me," says Sameer Kamdar, CEO of ASK Investment Managers, the portfolio management unit of ASK Group.

Kamdar's family has been in the business of books and periodicals for the past five decades. But he fell for the stock market while in college. In 1995, after finishing his master's in business administration, Kamdar got into equity research, tracking information technology, or IT, a nascent industry then.

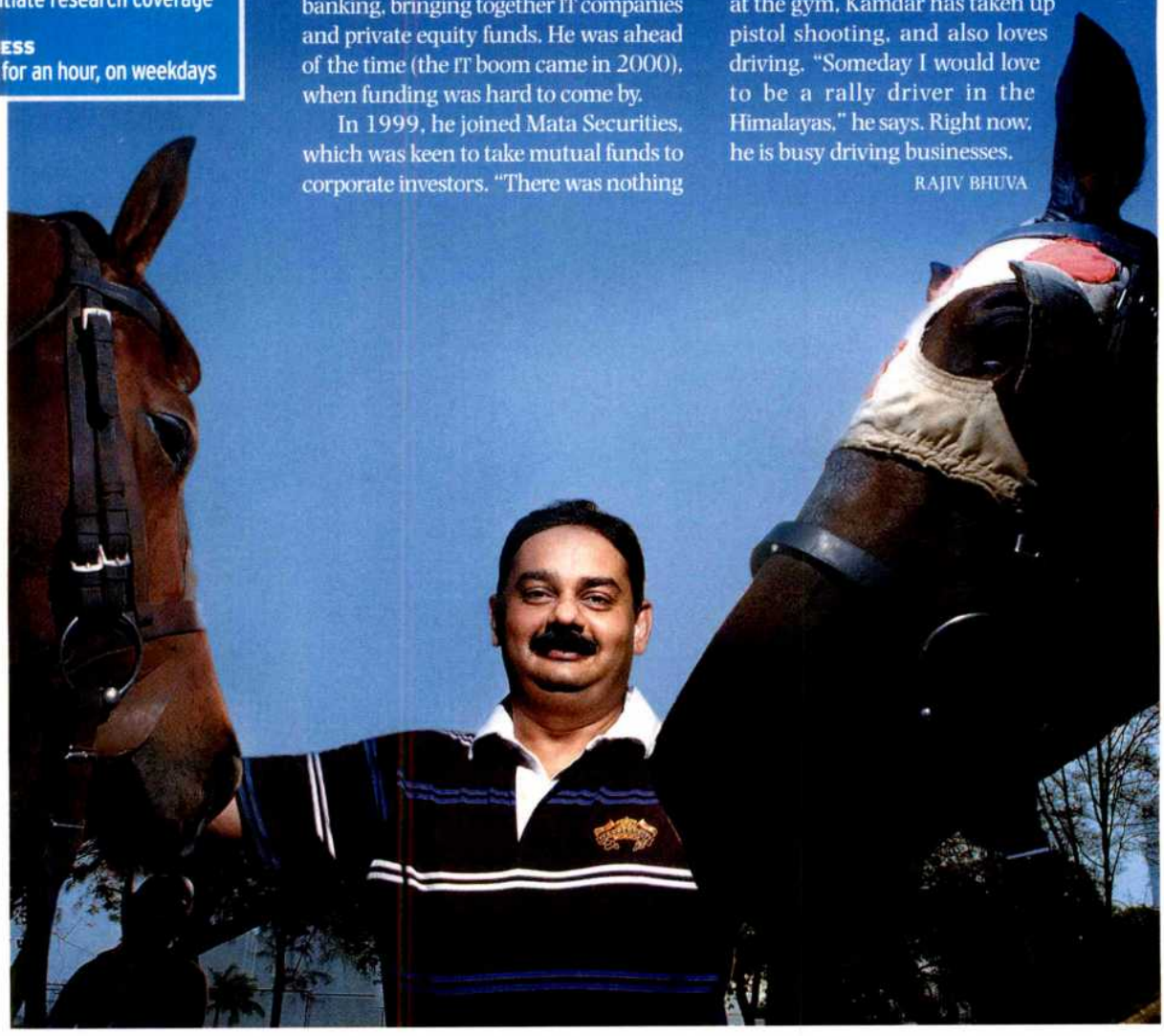
In 1998, he moved into investment banking, bringing together IT companies and private equity funds. He was ahead of the time (the IT boom came in 2000), when funding was hard to come by.

In 1999, he joined Mata Securities, which was keen to take mutual funds to corporate investors. "There was nothing but negativity in the first ten meetings," he recalls. But things started moving when Maruti Suzuki and IDBI invested ₹300 crore through Kamdar.

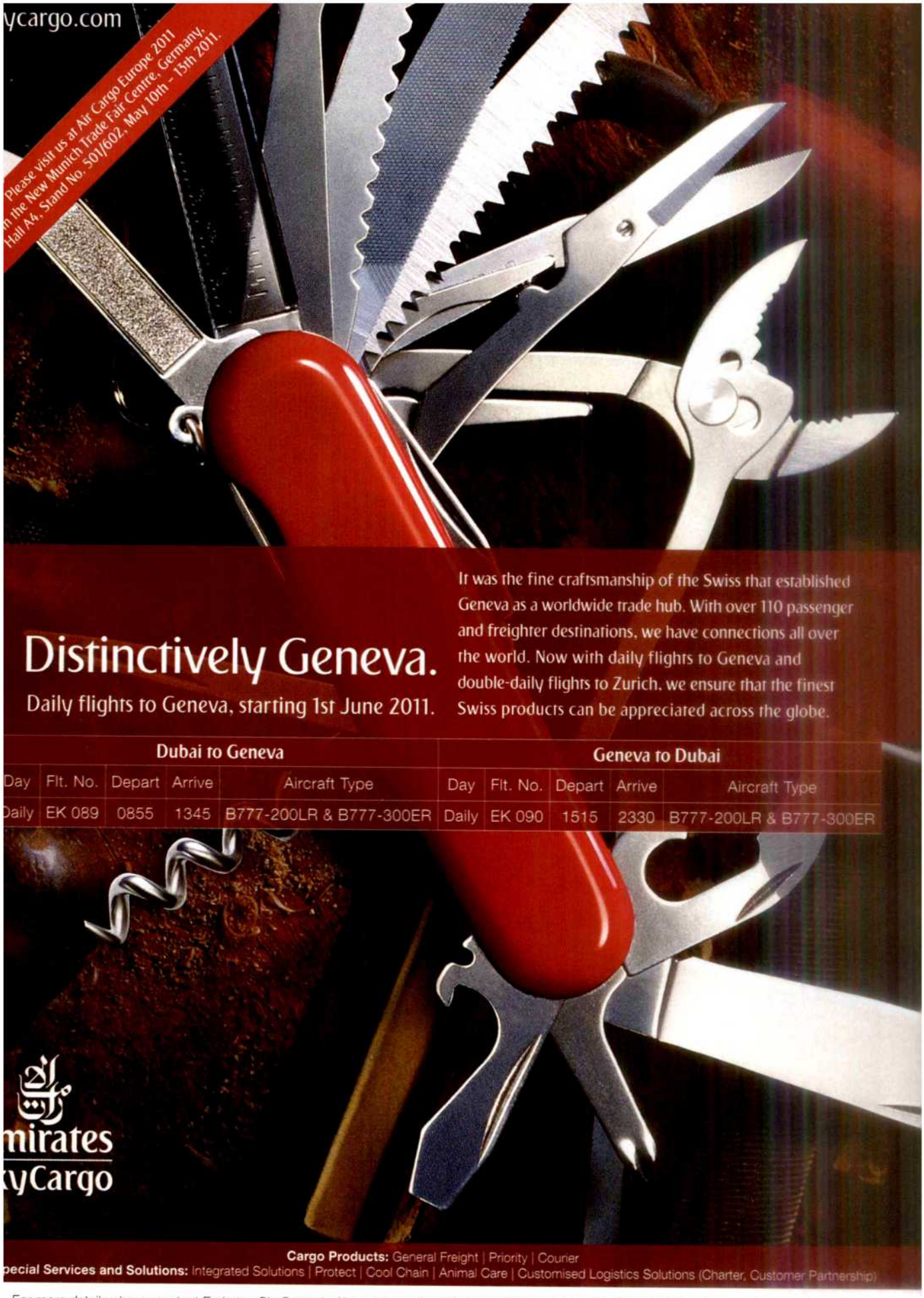
By 2008, monthly sales were over ₹20,000 crore and Kamdar was looking for another challenge. ASK came calling: it wanted to set up a mutual fund house, and Kamdar fitted the bill for the position of CEO. Since taking over at ASK Investment Managers, he has doubled the assets under management. (The regulators are yet to give a licence for the mutual fund.)

Apart from spending an hour a day at the gym, Kamdar has taken up pistol shooting, and also loves driving. "Someday I would love to be a rally driver in the Himalayas," he says. Right now, he is busy driving businesses.

RAJIV BHUVA



VIVAN MEHRA



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Hard-working Prodigal

Of the 23 months that Madhu Kannan has spent in India after coming back to head the Bombay Stock Exchange, or BSE, April 2011 has been the most memorable for him. The cricket fanatic managed to catch the World Cup final in Mumbai. "I was seriously missing cricket during my 15 years in New York," says the youngest managing director and chief executive officer of the BSE.

From March 2008 to May 2009, he was managing director of the corporate strategy group of Bank of America-Merrill Lynch in New York. Earlier, at NYSE Euronext, he handled various senior roles, including international listings, global strategy and business development. "Taking charge at the BSE was not easy," says Kannan. He refers to the BSE as a "start-up" and says it has to be transformed into a global corporation. "Managing transition through a fast changing external environment is fascinating," he says. Kannan and his A-team have started innovating on products and pricing.

He has cut the membership fee for the exchange from ₹1 crore to ₹10 lakh, launched a mutual fund trading platform and introduced trading on mobile phones. He has also got the BSE to pick up a 15 per cent stake in United Stock Exchange, a player in currency derivatives.

Kannan's work leaves him no time for hobbies, and most of his reading happens on flights. The BSE's legacy amazes him, but he points out that though history is to be cherished, one should not be a prisoner of the past. The transformation will take some time. "Culture does not change overnight," says Kannan.

RAJIV BHUVA

VIVAN MEHRA

Madhu Kannan,
37, CEO, Bombay Stock Exchange

BEEN THERE
Named Young Global Leader in 2007 by the World Economic Forum, was Senior Vice President at NYSE Euronext

DONE THAT
From May 2009, the BSE has been on a technology drive

ANECDOTE
When the BSE launched its mutual funds platform, a senior broker told him he had brought back the glory of the bourse

FITNESS
Job leaves him no time

jogging

light

midday
light

cafe
light

dinner
light

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Chef de Wealth?

Equipped with a hotel management degree, Rakesh Kaul would have joined the Oberoi hotel chain. But his father's sudden demise made it difficult for him to leave his mother alone and go off to another city. So he opted for a post-graduate diploma in business administration in finance and another in foreign trade.

So what does an aspiring hotelier bring to the table in financial services? "Customer is always right – the guiding principle of hospitality – applies equally in banking," says Kaul. Having started his career in Citi, Kaul has worked in various businesses in India and the Asia-Pacific.

Kaul's 12-hour workday begins with a daily morning huddle call at 8 a.m. taking stock of global markets and discussing the day's plan. His current 120-member team has grown from just a few members in 2006 when the company was set up with a clear focus on offering a world class equity brokerage platform to Citi's high net-worth clients in India and key NRI markets. While the business is well established now, it has weathered many challenges, especially during the downturn of 2008 when Citi globally had its fair share of the bad news.

Kaul's exposure to six different businesses at Citi has given him tremendous perspective. "It helps me devise five solutions to a problem and not try to solve it in a straight-jacketed manner," he says.

Kaul is a keen golfer and marathoner. "Running has made me more determined in whatever I do," says Kaul. He hits the road at 5.45 a.m. sharp. He is on track to go the distance.

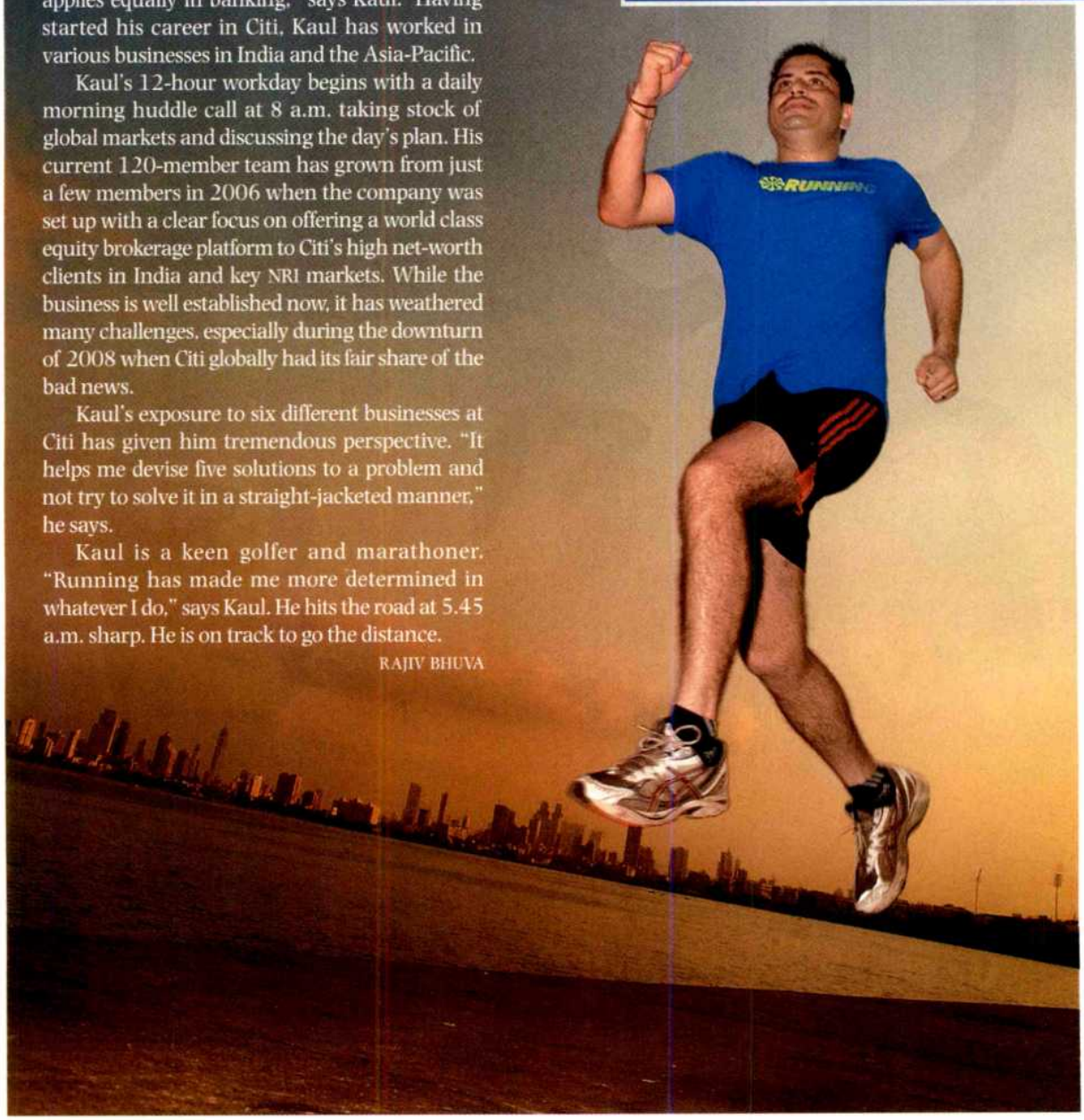
RAJIV BHUVA

Rakesh Kaul, 37, Business Head, Citi Wealth Advisors

BEEN THERE
In 13 years at Citi, he has worked across six businesses

A-HA MOMENT
When, in October 2004, Kaul was deputed to implement Citi Financial's Consumer Finance & Auto Business in six countries across the Asia-Pacific region. He was 32 then

FITNESS
Has run over 100 marathons in the past five years. Runs at least 50 km a week



VIVAN MEHRA

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Routed to Success

Hari V. Krishnan likes life on the edge. He learned to ski while studying engineering in the United States, and is a trained scuba diver as well as a semi-pro tennis player. He gets the same adrenalin rush looking for opportunities and chasing deals.

In a relatively short time, Krishnan has gone from working in the United States with tech major Cisco to becoming the India head of social networking site LinkedIn. During this time, he did his MBA from INSEAD, worked with Yahoo! and was an early member of travel portal makemytrip.

The big change in his career came when he attended a lecture at INSEAD by Jake Cohen, who said China was an opportunity today and India tomorrow. "This was an opportunity to come home, but also to work in the most exciting market in the world," says Krishnan. While the Internet was to become his specialisation, joining LinkedIn was his defining moment. As its first hire in the Asia Pacific, he has grown the business to include recruiters, advertising agencies and users.

Krishnan looks to his parents for inspiration. (His father was an engineer and his mother is a professional painter.) "I invariably illustrate on white boards during meetings and find myself analysing every move we make to the finest detail," he says. The techie has also learnt to take regular breaks these days. "I used to work myself to the ground."

For now LinkedIn is his passion. "My high point was at a recent CEO forum," he says, "where a top manager told me he used the Internet only to check his e-mail and update his LinkedIn account. I knew I was on the right track."

RAHUL SACHITANAND

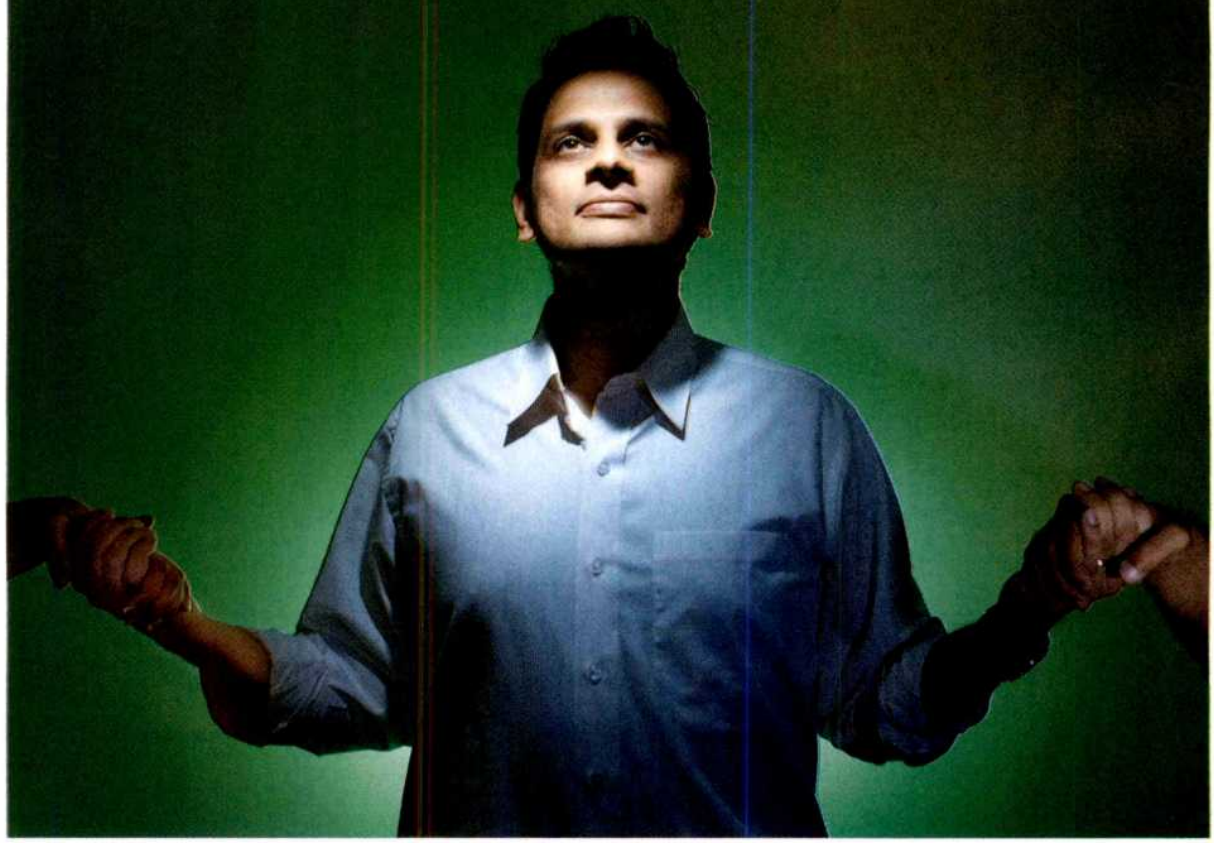
Hari V. Krishnan,
33, Country Manager, LinkedIn

BEEN THERE
LinkedIn's first hire in the Asia Pacific region

DONE THAT
Grown LinkedIn from a one-man show to three units handling front end consumers, advertisers and recruiters

ANECDOTE
Quit career in the US and headed home, on an INSEAD professor's advice

FITNESS
Adventure sports junkie, trained scuba diver



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Jagdish Mahapatra, 38,
Vice President, ITS Sales, India & SAARC, Cisco

BEEN THERE
Grown Cisco's Linksys business, increased home consumers three-fold in 18 months

DONE THAT
Transformed the unit that handles IT services firms

ANECDOTE
Built a manufacturing outsourcing business at Larsen & Toubro as a young engineer

FITNESS
Power yoga, pilates, kickboxing are part of his 5 a.m. workout routine under a personal trainer

Win-Win Man

In the late 1990s, engineering giant Larsen & Toubro had a problem with its large electrical switches. The business was struggling against cheaper products made by smaller rivals. L&T turned to Jagdish Mohapatra, a 24-year-old graduate engineer, who came up with a then-novel solution. He outsourced manufacturing to the rivals.

Soon after, Mahapatra picked up a masters in business administration and joined Godrej's fledgling IT products distribution business. Within weeks, he was sent to Puducherry (Pondicherry then) to build a sales and distribution channel in Tamil Nadu. Mahapatra knew no Tamil and the warehouse was "four bare walls and little else". He made this business a winner and was put in charge of a manufacturing unit.

In 2000, the attractions of working for a technology multinational took hold and Mahapatra joined Cisco, when it was just a routers company.

Again, Mahapatara was an outperformer. "I gave myself three years for each role at Cisco and managed to outperform each time," he says.

Despite being a star for the San Francisco-based networking giant, few people expect Mahapatra to stay on for ever. "I want to be an entrepreneur soon," he says. "I need to challenge myself again." Few people are betting against Mahapatra succeeding again.

RAHUL SACHITANAND

VIVAN MEHRA

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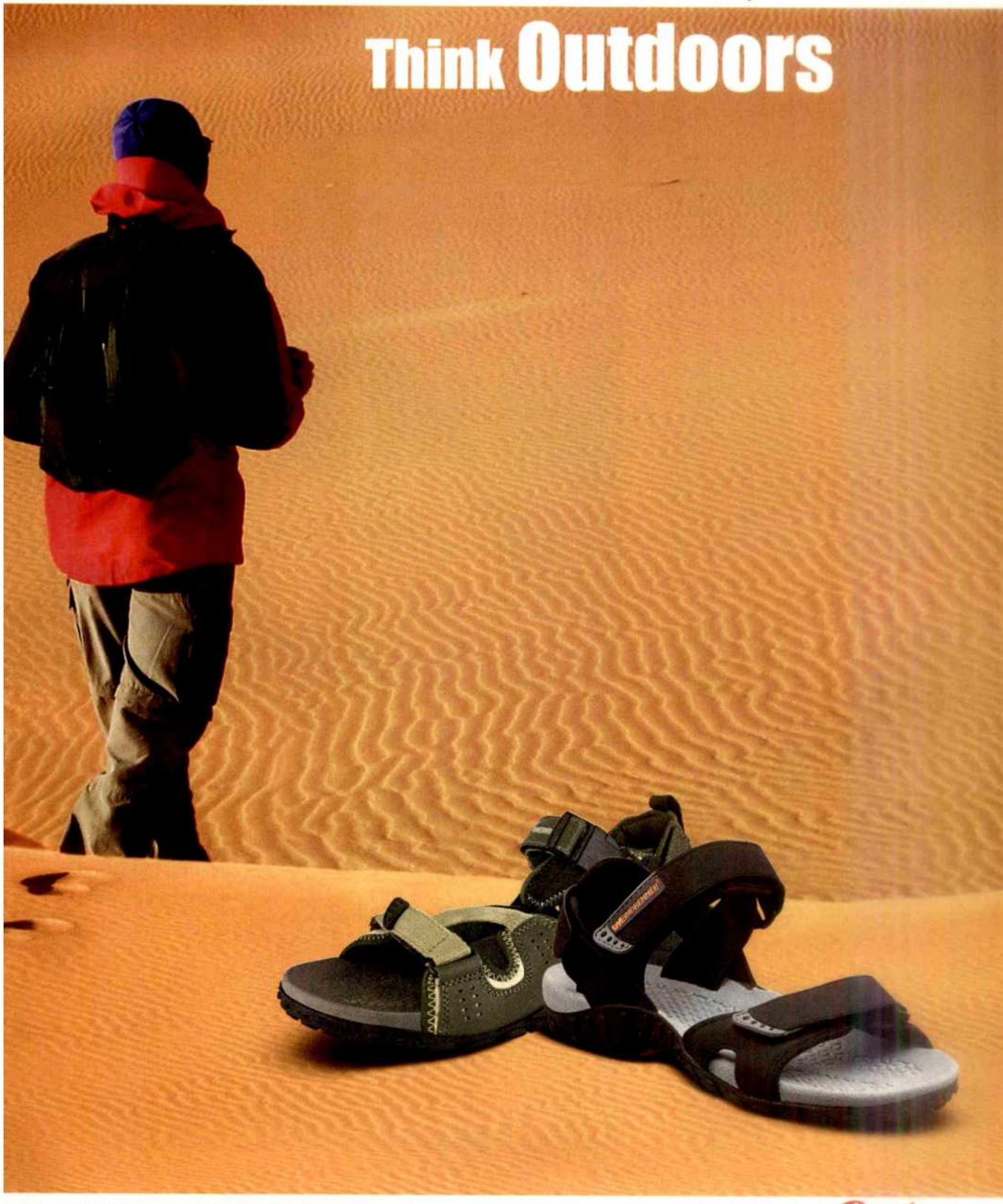
Think Weinbrenner,



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No Limits to Growth

Later this year, Manish Mohnot will shift into a new house in Juhu, Mumbai. An avid collector of gadgets, his new pad will be tech-driven, with a central server managing all internal operations, the latest and thinnest TV screens on the walls, and an iPad2 by his side.

But it is unlikely that the hard-charging Mohnot will have much time to spend in his dream home. Over the past five years, this chartered accountant has transformed Kalpataru Power Transmission from a business focused almost entirely on power transmission to one that provides engineering services, commodity warehousing and even infrastructure services to the railways, with a presence in 30 countries.

In college, Mohnot used to begin course work at 4 a.m. After qualifying as a chartered accountant, he worked first with Standard Chartered Bank and then KPMG before joining Kalpataru Power.

"I wanted to put some of the theory I learnt as a consultant into practice," says Mohnot. Kalpataru Power has grown its consolidated order book to around ₹10,000 crore today and Mohnot expects business to grow by at least 20 per cent annually. "The opportunity is almost limitless in infrastructure," he says. "We will acquire and build our way to the national stage."

Despite his frenetic pace, Mohnot finds time to relax. "Weekends are sacrosanct... for friends and family," he says. He also plays squash and cricket with some of his oldest friends, and is game to losing a bout of chess with his professionally-coached eight-year-old son.

With Kalpataru Power in fast-growth mode, everyone will now be looking forward to Mohnot's next winning move.

RAHUL SACHITANAND

VIVAN MEHRA

Manish Mohnot,
39, Executive Director, Kalpataru Power Transmission

BEEN THERE
Has grown Kalpataru into a diversified group

DONE THAT
Expanded Kalpataru from a five-country operation to a 30-country business

A-HA MOMENT
Bagged a $225 million deal in Kuwait, beating larger rivals

FITNESS
Squash, cricket with friends and chess with his eight-year-old son

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imagination at work

Kavitha Nair, 37,
VP, Enterprise Marketing, Vodafone Essar

BEEN THERE
Went from heading a single circle with a telecom firm to heading Vodafone's national marketing

DONE THAT
Rolled out the Orange rebranding campaign in a week

A-HA MOMENT
When the pug and young boy clicked and created an iconic ad series

FITNESS
On a rediscovery of her fitness: into half marathons and cycling

VIVAN MEHRA

Challenging Act

As a young management trainee, Kavitha Nair was thrown into the deep end at her first job when she was given the responsibility of opening and running six branch offices for Birla AT&T (now Idea Cellular). Back then, mobile services firms were just finding their feet — call rates were as high as ₹32 a minute — and companies were in a muddle about this emerging opportunity. Nair went through multiple roles, including being a business analyst, and ended up at Hutchison Max Telecom.

She played a pivotal role, rebranding the service first as Max and then as Hutch. Nair speaks of the transition to the Orange brand fondly. "We went through six creative directors and both Ogilvy (the ad agency) and ourselves were finding our way," she says. After multiple brand transitions (most notably with the loyal pug and the Zoozoos), today it is Vodafone Essar.

Colleagues say Nair can be a patient teacher, but is a notorious workaholic used to 18-hour days and ready to unleash her temper. "I'm a very impatient person," she laughs. "I expect people to work long hours and deliver results."

She has moved from the consumer side to a new area for Vodafone Essar, enterprise services, which provides end-to-end communications solutions to companies. This unit accounts for a tenth of Vodafone Essar's business and could grow to a fourth in a few years.

But she does not allow her work to take over completely. She goes for an annual holiday with family and has rediscovered cycling and running. "I plan to retire early," she says, "and before I do that maybe I can take my dream vacation in Antarctica."

RAHUL SACHITANAND

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The Wizard of CG

He calls himself a self-discovered computer graphics, or CG, artist and believes in benchmarking himself against the best in the world. Shy to begin with, this suburban Mumbai boy opens up when it comes to showing some of his best work stored on his iPhone.

Hailing from a family of creative people, Patil's interest in advertising and computers started very early in his life. "I always knew I wanted to be in creative advertising," he says. When still in school in the early 1980s, Patil acquired his first electronic toy, a Sony Hit-Bit. He used it to create small graphic programmes using GW Basic, a programming language. He pursued his passion for computers by enrolling for an animation course at the erstwhile Microcell Graphics. He also graduated as a Bachelor of Arts.

After completing his animation course, he taught for a year, and then started out as a trainee at Digital Canvas, a post-production studio back in 1997. Building his client list and referral base from the ground up, he moved up the ladder, from becoming a senior animator and compositor to a partner in NutsScrewsAndBolts and finally the creative head of CG at the commercials department of Pixion, one of the leading post-production studios in the country.

Having worked on some of the best commercials such as the Videocon one, in which the whole idea was to embed the colours of nature into the TV ad, Patil explains that apart from tight timelines, post-production requires extensive research and refined detailing so that no one can tell the created work from the live shots.

Among his toughest challenges is convincing clients to do work in India rather than go abroad, Patil says. An environmentally conscious person, Patil prefers to use public transport rather than own a car.

ANUSHA SUBRAMANIAN

VIVAN MEHRA

Nikhil Patil, 34,
Creative Head, Commercials, Pixion

BEEN THERE
Worked on international commercials for McDonald's, 7UP

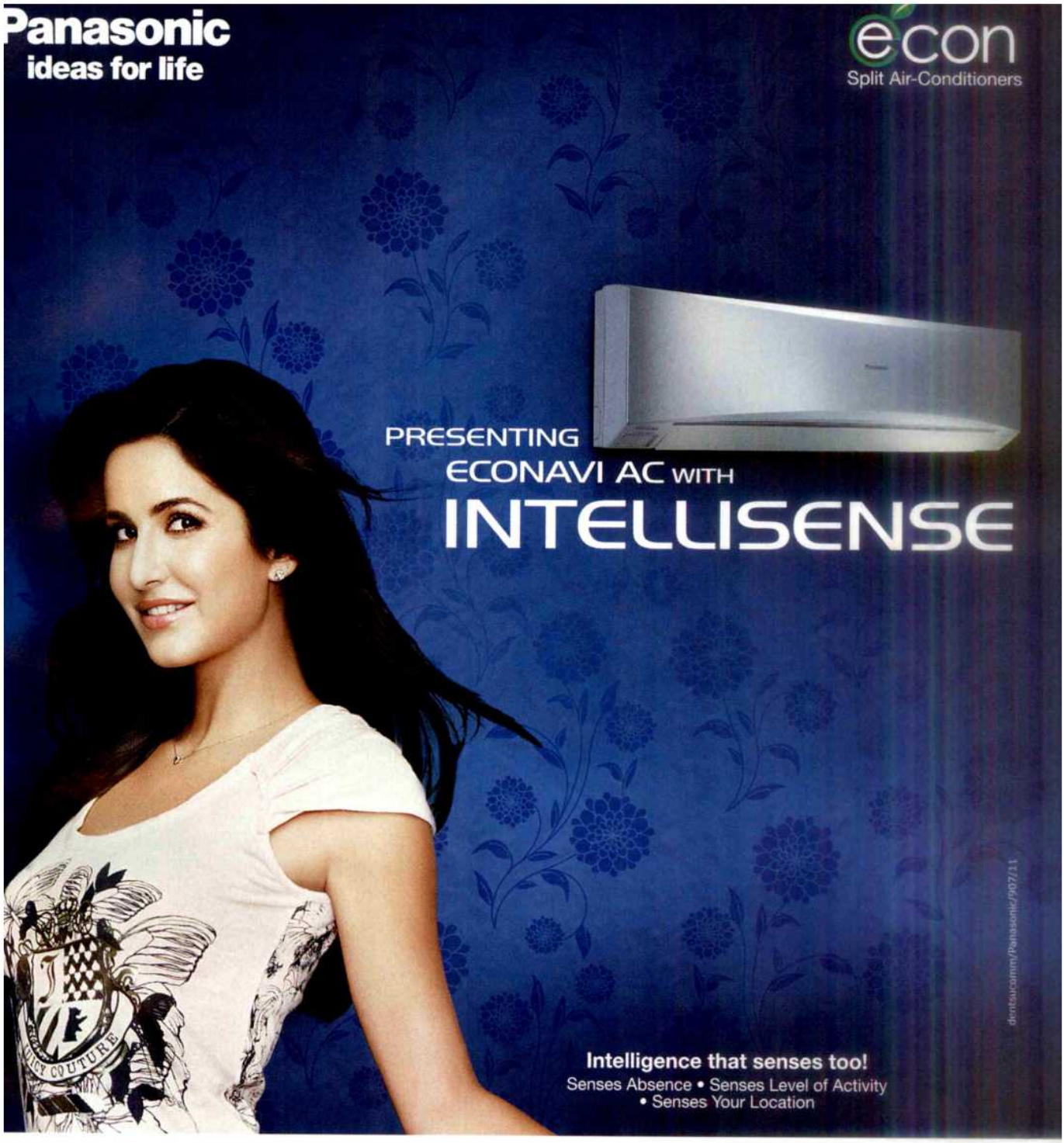
DONE THAT
Many things, but Happydent Wave commercial was memorable

ANECDOTE
We were in a jungle trying to shoot with 11 tuskers. Everybody was trying to train them. Finally, we shot with seven. The rest were computer generated

ENVIRONMENTALLY CONSCIOUS
Uses public transport to get around

Panasonic
ideas for life

econ
Split Air-Conditioners



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I RECYCLE

Shalini Pillay, 39,
Executive Director, Advisory Services, KPMG

BEEN THERE
Graduated from industry-specific consulting to solution-centric consulting

DONE THAT
Led year-long integration of large Indian banking and telecom M&A deals

A-HA MOMENT
In 2008, when she became the youngest female partner at KPMG India, breaking the glass ceiling

FITNESS
Thrice a week to the gym, pushed by her fitness-conscious husband

Seizing the Moment

In an industry where people are obsessed with career progression, Bangalore-based Shalini Pillay is something of an oddity. She spends two to three days in Mumbai or Delhi every week on work, but come Friday and she is planning her weekend. Will it be a movie? Goa? Nandi Hills? Pillay has learnt to balance 80-hour weeks with the challenges of raising her 11-year-old daughter. Back in 1997, when her career with Andersen Consulting was thriving, the newly-married Pillay decided to take a break and join her husband in the United States, where he was doing a PhD. She became a student, too, taking up courses in political science and economics.

An engineer by training, Pillay had joined Andersen straight out of campus. Later, she also became a chartered accountant. When KPMG took over Andersen, she moved with it. Three years ago, she was badged a partner. "We have junior managers who are women," she says, "but it's a challenge staying the course to partner."

Pillay is a stickler for schedules and neatness. People who borrow her workspace know they have to return it in the same spotless condition. At home, if she is watching TV, she could be chopping vegetables and replying to e-mails on the side. She tells her daughter to do something every day of her summer holidays – even if it is lying on the beach. "You must have a story to tell at the end of every day," she says.

RAHUL SACHITANAND

DEEPAK G. PAWAR

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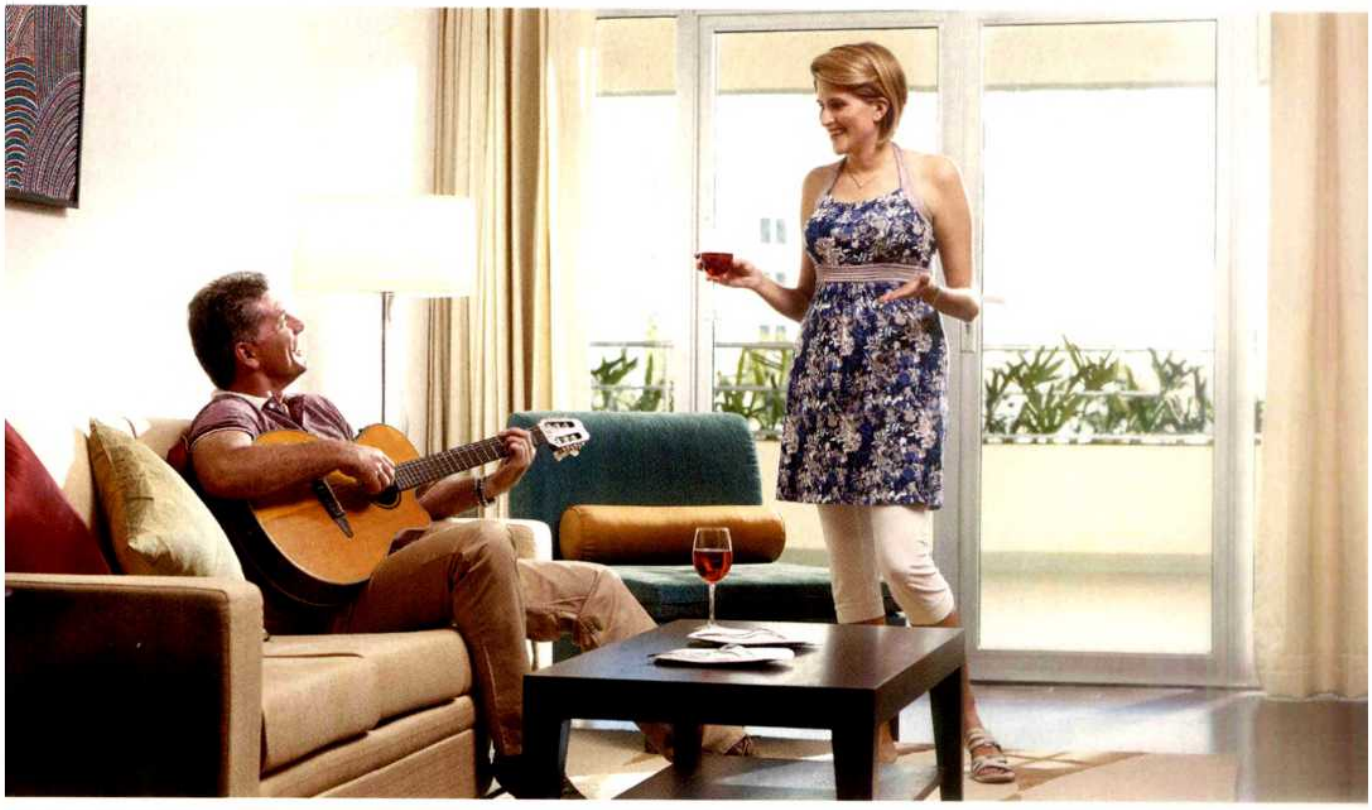

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UMESH GOSWAMI

Viren Rasquinha,
30, COO, Olympic Gold Quest

BEEN THERE
Played hockey for India in 180 international matches over eight years. Also played at the Athens Olympics in 2004

DONE THAT
Put together the idea of a programme to back India's top athletes

A-HA MOMENT
When Manipur's Nanao Singh won the boxing gold at the National Games after recovering from surgery. OGQ had backed Singh

FITNESS
No hockey at all, but some badminton

Olympian Quest

Unassuming and soft spoken, Viren Rasquinha retired from hockey at the age of 28. No injury, no controversies, no failures: he just felt he had given the sport everything he had and it was time to do something else equally challenging. "I wanted to study further, learn new skills and explore new opportunities that would enable me to blend into a corporate environment," he says. While still playing, he gave the Indian School of Business, or ISB, in Hyderabad a shot and got through.

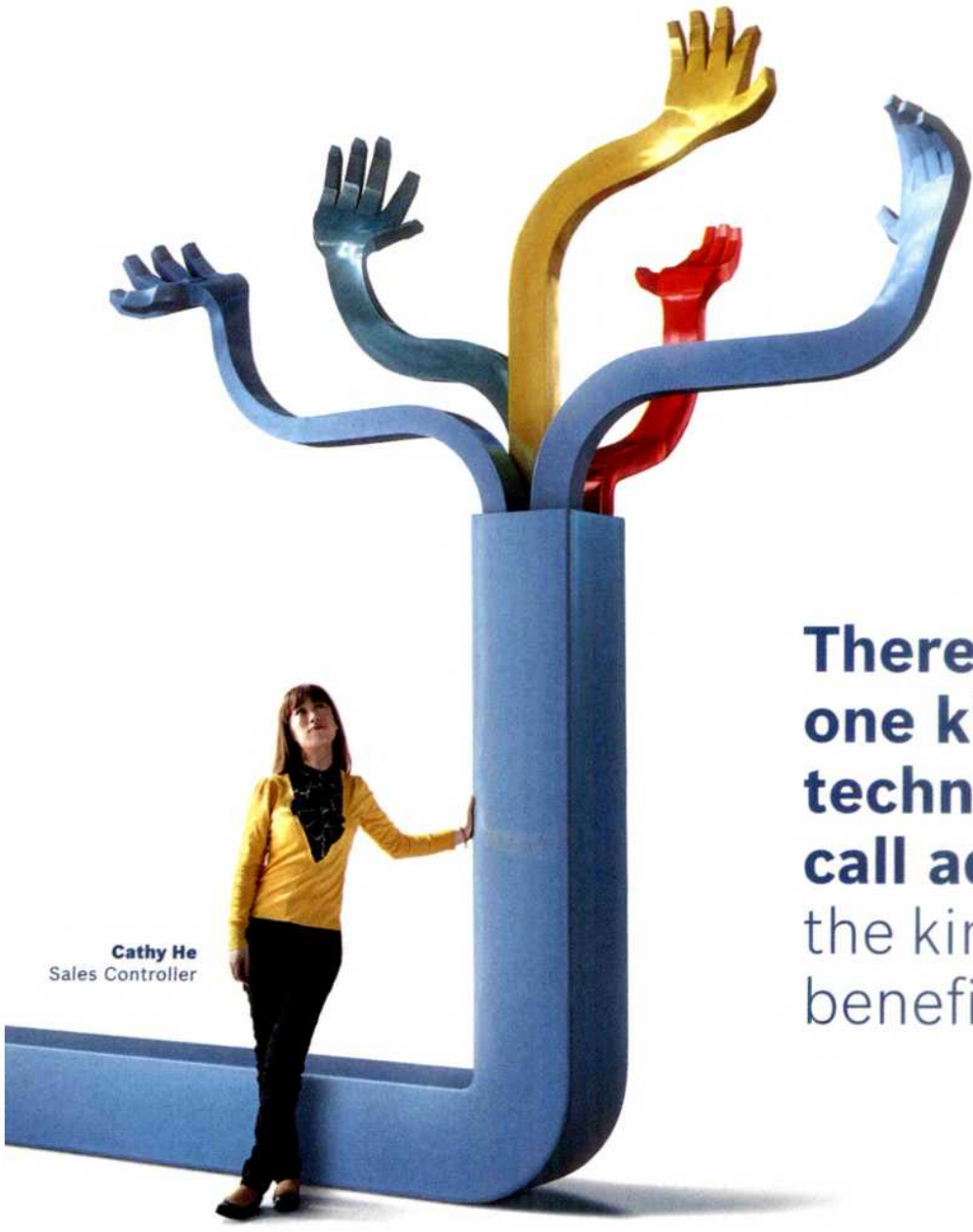
Rasquinha says his one year at ISB was one of the finest in his life. "The course was strenuous. But what helped me the most at ISB was that I could take the pressure very well since sports had taught me that," he says. Sports is all about discipline, sticking to time lines, training well and preparing for assignments. "All of this needs to be applied in your corporate career as well."

What has he learnt from the B-school? "It has taught structured approach, focus on strategy, analysis and thinking from the head rather than the heart," he says.

After ISB, Rasquinha turned down a plush corporate job when badminton legend Prakash Padukone and former billiards champion Geet Sethi sounded him out on their dream project, Olympic Gold Quest, or OGQ, a non-profit organisation to help India's best athletes and sportspersons aim for gold at the Olympics. Rasquinha did not think twice about joining it.

Right now, he is working on another idea: Power a Champion. The aim is to get a million Indians to contribute at least ₹100 each a month. In three months, it has got a commitment of ₹10 lakh.

ANUSHA SUBRAMANIAN



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Digital Diva

Kirthiga Reddy, 39,
Director, Online Operations, and Head, Facebook India

BEEN THERE
In 2000, she was the youngest director of engineering and the only woman in this role in her team at Silicon Graphics in the US

DONE THAT
Started Facebook India operations from the ground up

A-HA MOMENT
As Facebook India's first employee, she had to actually open the office shutters on Day One

She has redefined Facebook's mantra of staying connected. In just three years, Kirthiga Reddy has moved from being a casual user of this globally popular social networking medium to depending on it to stay connected with family and friends in another country, to building its operations in India from the ground up. In July 2010, Reddy, found herself in her "dream come true job" when she joined Facebook as its first employee in India.

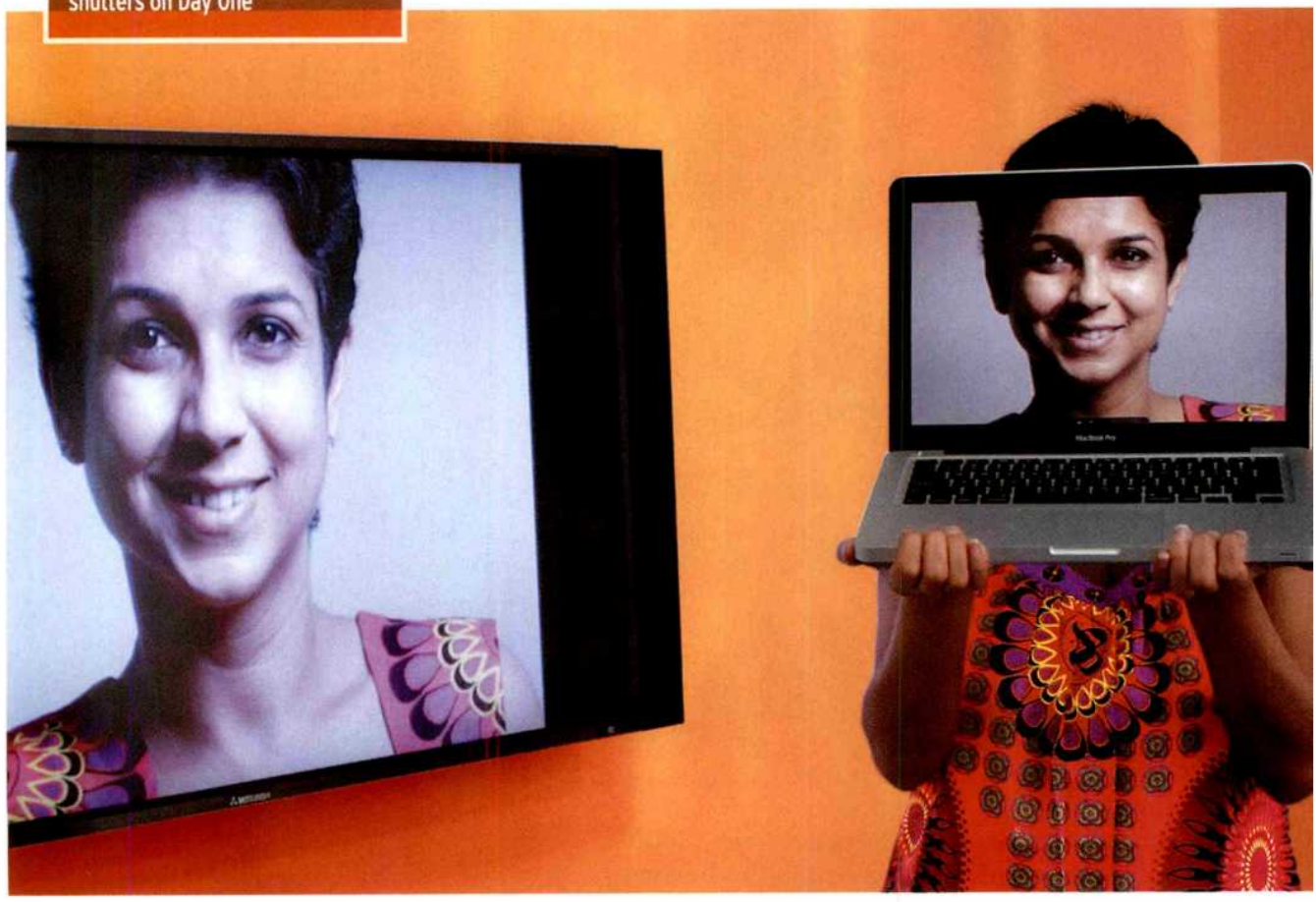
Reddy had earlier been with well-known companies such as Silicon Graphics and Motorola. At Silicon Graphics, she was the youngest director of engineering and the only woman in this role in her team.

Reddy was the first in her family to get a technical and business degree in the United States. She holds a master's in business administration from Stanford University and an M.S. in computer engineering from Syracuse University.

In fact, in her first job in the US, at Silicon Graphics, then a $2-billion company, she surprised her manager when she did not allow herself to be restricted to her job description, and instead did "what was needed for the company". At a software project with which she was involved, she went beyond her job and played a larger role, starting from defining the product and its interfaces.

She has big plans at Facebook. She wants to see the India operations as one of Facebook's global centres of excellence five years from now.

E. KUMAR SHARMA



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DEEPAK G. PAWAR

Uday Sareen, 40,
Country Head, Retail Banking, ING Vysya Bank

BEEN THERE
Was in the Citibank team that launched Suvidha in India

DONE THAT
Transformed ING Vysya from a south India-based bank into a national player

ANECDOTE
Had to sit down to fiery meals with chilli traders in Guntur to win their trust and business

OTHER PASSIONS
Theatre, right from his BITS, Pilani, days. Many of his friends from those days are now in the movies

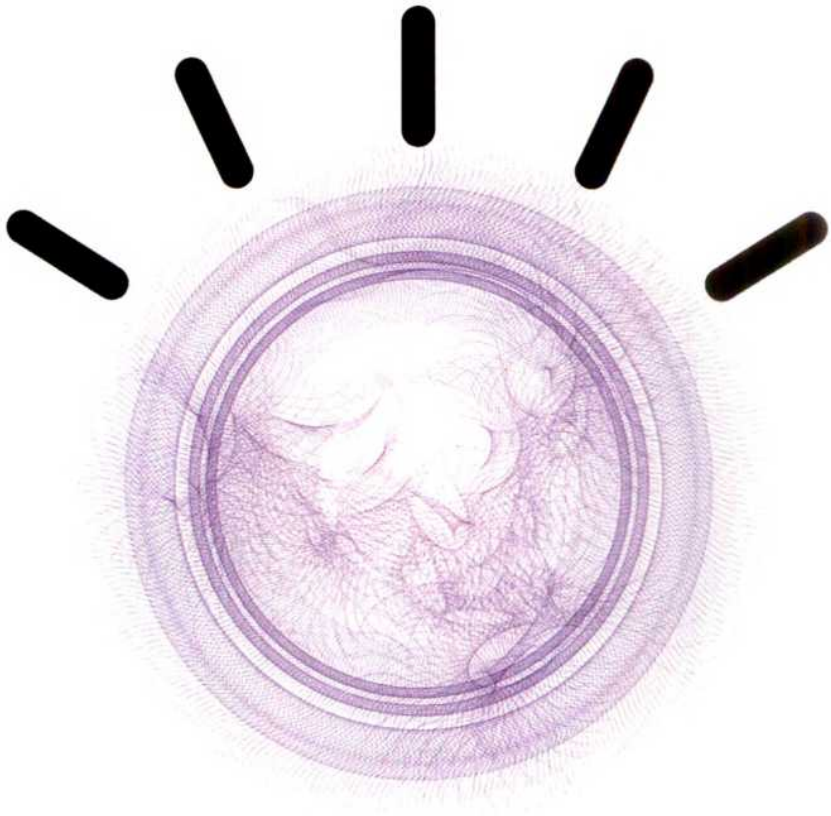
Relationship Builder

Moving from an AC cab to an autorickshaw and finally going on foot, Uday Sareen took more than an hour combing Old Delhi's alleys to reach the office of one of the city's largest commodities' traders. A little over 18 months after the career Citibanker had moved to ING Vysya Bank, he was getting to know some of its most valuable customers first hand. Unlike upscale customers in south Mumbai or Lutyen's Delhi, this trader was a bit conventional – he would talk business only after he had served tea and snacks. Impressed by Sareen, the trader not only extended his deal with ING Vysya but referred Sareen to 12 others.

Sareen nearly did not make it to banking. After a degree in electronics engineering from the Birla Institute of Technology & Science, Pilani, he was about to join Wipro Systems, as Wipro Ltd was then called, when he decided to head for the Faculty of Management Studies, Delhi University. Citibank took him from there. Sareen, now 40, worked in all the five metros with Citibank, handling wealth management, retail banking and the Suvidha programme for ATMs and debit cards, over 10 years.

His next career move, to ING Vysya, then hardly known on the national stage, was an eye-opening experience. "We didn't see ING Vysya on a single competition slide at Citibank," he admits. It is not as if ING Vysya did not have its pockets of strength. "The challenge was to turnaround its loss-making consumer business, overhaul its branding and transform it into a national player," he says. "We now want to be among the top five private banks in India."

RAHUL SACHITANAND



Building a Smarter Planet: 2 in a Series

On a smarter planet, answers are hidden in the data.

Here's a bold prediction: The biggest leaps forward in the next several decades – in business, science and society at large – will come from insights gleaned through perpetual, real-time analysis of data.

With nearly 2 billion people on the internet and with more and more of the world's systems becoming digitally aware, there is greater diversity in the forms and shapes data is taking. And while data is growing at an exponential rate in volume and complexity, time is not.

The key is to move from 'big data' to smarter data by organising your information in all its diversity, understanding its context, and managing its continual evolution. Consider this:

- Through smarter data, we can see how one piece of information relates to the things around it. Banks and insurance companies in India are increasingly making use of smart data to identify opportunities and cross-sell and up-sell their products to customers. By integrating smart data into their systems, these companies are making smarter predictions on customer behaviour patterns.

- Through smarter data, we can make sense of information in all its forms – structured and unstructured, text and multimedia, from physical infrastructures to social networks. For instance, Indian Railways uses real-time insights about crew members and their schedules to cut staff shortages and reduce overtime expenditure by 80 percent.

- Lastly, smarter data, delivered promptly in real-time via new computational models like stream computing, lets us keep pace with a world where risk and opportunity are constantly in flux. This is what a Canadian hospital treating high-risk newborns is doing, as its doctors identify patterns within an array of physiological data to help detect life-threatening infections up to 24 hours sooner.

A world of smart data offers enormous hope. It also raises important issues, such as those relating to privacy and security. These are challenges faced by all businesses and societies. But fortunately, as thousands of forward-thinking leaders today are discovering, their data's hidden meanings don't just make their companies smarter. They also increase the growth, transparency, sustainability and knowledge of entire industries, and of our whole planet. Which is turning a bold prediction into a promising reality.

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Crystals Are Forever

Sanjay Sharma, 37,
Director, Swarovski Elements, Swarovski India

BEEN THERE
Set up Swarovski Elements, the business-to-business division

DONE THAT
Exceeded sales targets by 32% in 2010

ANECDOTE
On his first visit to South India, a client refused to believe Sharma was the Swarovski head because he was just 27

INTERESTS
Golf, skiing, swimming, designing

Sanjay Sharma joined Swarovski quite by chance. He was living in Germany when he got an offer from Swarovski to spearhead its drive into South Asia, with the focus on India. He was then working in Germany. "I was more inclined towards sports and technology companies, but I was impressed with Swarovski's history and its impact.... Their plans for India made the decision easy," says Sharma, who designed the Man of the Match and Man of the Tournament trophies for the latest cricket World Cup.

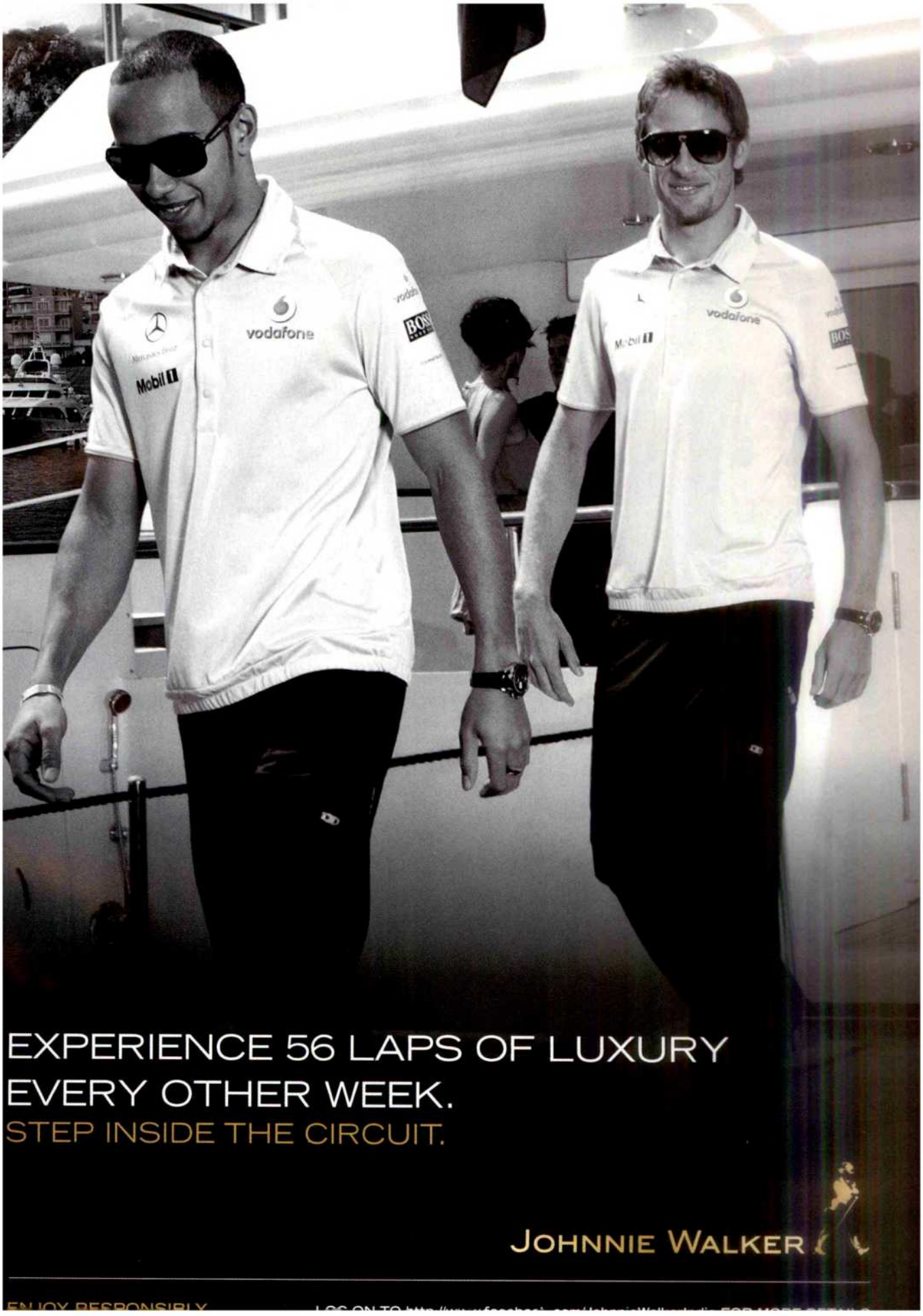
Sharma claims Swarovski India has been growing in the double digits, and weathered the recession with relative ease. He set up Swarovski Elements, the B2B or business to business operation that supplies crystals to industry segments.

As a prominent face on Delhi's social circuit, how does he strike a work-life balance with all the mandatory partying and socialising? "That is the most difficult part of my role as it eats into my personal time," he says. Sharma is passionate about golf, which he took up at the age of 10. His interest in sports has, in fact, led him into designing because he was disappointed with the "cups, vases and fruit bowls" that were passed off as trophies.

"All through my career, I was challenged and given responsibilities that equalled that of an entrepreneur. This has kept me going," says this master's in business administration from IILM, Delhi.

ANUMEHA CHATURVEDI

VIVAN MEHRA



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JOHNNIE WALKER

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Sunish Sharma, 36
Managing Director, General Atlantic

BEEN THERE
In 1999, when the Indian information technology industry was nascent, his team at McKinsey & Company had said it would grow business to $50 billion in 10 years

DONE THAT
Working on developing the Young India Fellowship, on the lines of the Rhodes Scholarship

A-HA MOMENT
When McKinsey made an offer on Day 1 of placements at IIM-C, in five minutes. He had been grilled the previous day, Day 0 of placements

FITNESS
Cycles to work when he is in Mumbai. You can see him on his Trek bike, gifted by his wife this February on their wedding anniversary

NISHIKANT GAMRE

Wheels and Deals Man

Sunish Sharma loves to drive into new territories. On family holidays abroad, Sharma usually rents a car and drives around. He has already done that in the United States, Turkey and Austria and hopes to do it soon in Italy. "The best way to see a place," he says. For a person who loves visiting new places, Sharma has been lucky because his job – first with consultants McKinsey & Co. and now with General Atlantic, a private equity firm – requires travelling all over the world.

Mumbai, where he stays now, is one of Sharma's favourite cities, second to New York. Sharma had joined McKinsey straight out of the Indian Institute of Management, Calcutta. "I was placed on the first day – within five minutes....It was a dream come true," he says.

The move to General Atlantic in 2004 showed that he could put his money where his mouth was. He started when GA had just two employees in India. Now it has ten, with $800 million invested here. It also allowed him to gather some learnings from the downturn – to prepare for a downturn and then again prepare for the upswing too.

Sharma loves action. He played basketball in school and still plays with his son. Till recently, he used to jog home after work. Then, his wife gifted him a 24-gear Trek bicycle on their 10th wedding anniversary this February. Sharma has since been cycling to office at Nariman Point from Tardeo at 7 in the morning. Wheels and deals get this guy going, in a nice way.

SUMAN LAYAK

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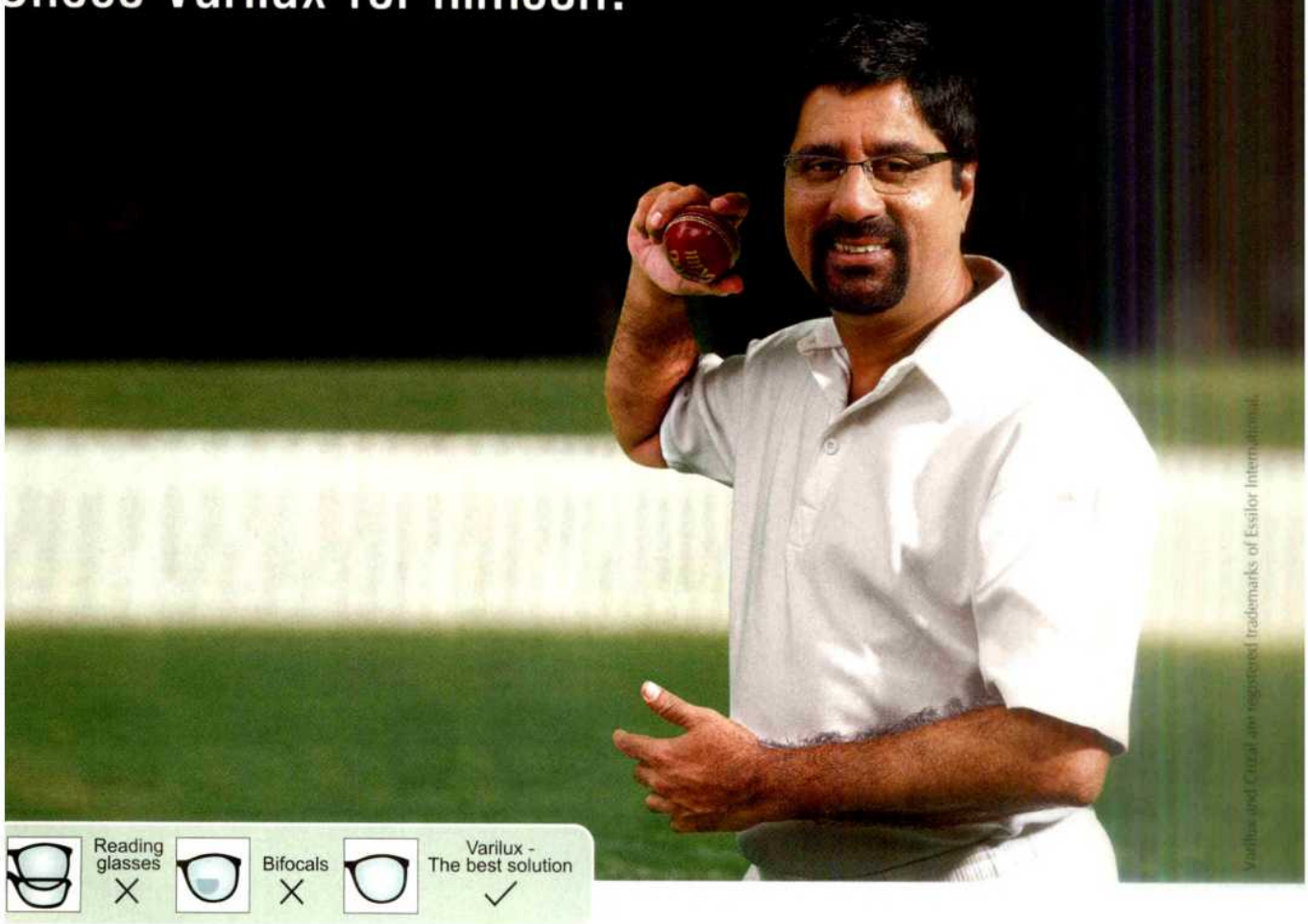

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The Intuitive Optimist

In June 2009, there was turmoil in the mutual fund industry when the Securities and Exchange Board of India said investors would not have to pay any entry load with effect from August 1. Distributors lost their incentive to market mutual funds and investors were clueless about which fund to buy.

Sundeep Sikka, as CEO of Reliance Capital Asset Management, which runs Reliance Mutual Fund, did not panic like the rest of the herd. "I saw it as an opportunity," he says. He set up a learning academy called Edge, which has since educated over 100,000 investors in 300 locations across India. An avid team player and firm believer in relationship building, Sikka goes by his heart more than his mind. "The intuitive feeling has rarely let me go wrong," he says.

Sikka is a hardcore foodie, like any self-respecting Punjabi, and tries out new restaurants within 15 days of their opening. He does not shun roadside food either. This streak helps in his professional life. "I am not afraid to take risks when I have the conviction," he says.

And that's true, because Reliance Mutual Fund has seen its profit grow by three times over the past three years, when the industry growth was flat. For Sikka moving ahead is not a matter of speed but of heading in the right direction. Heading the No. 1 company by share of assets under management, Sikka is not chasing market share. "Being the largest is about creating a market," says Sikka.

RAJIV BHUVA

VIVAN MEHRA

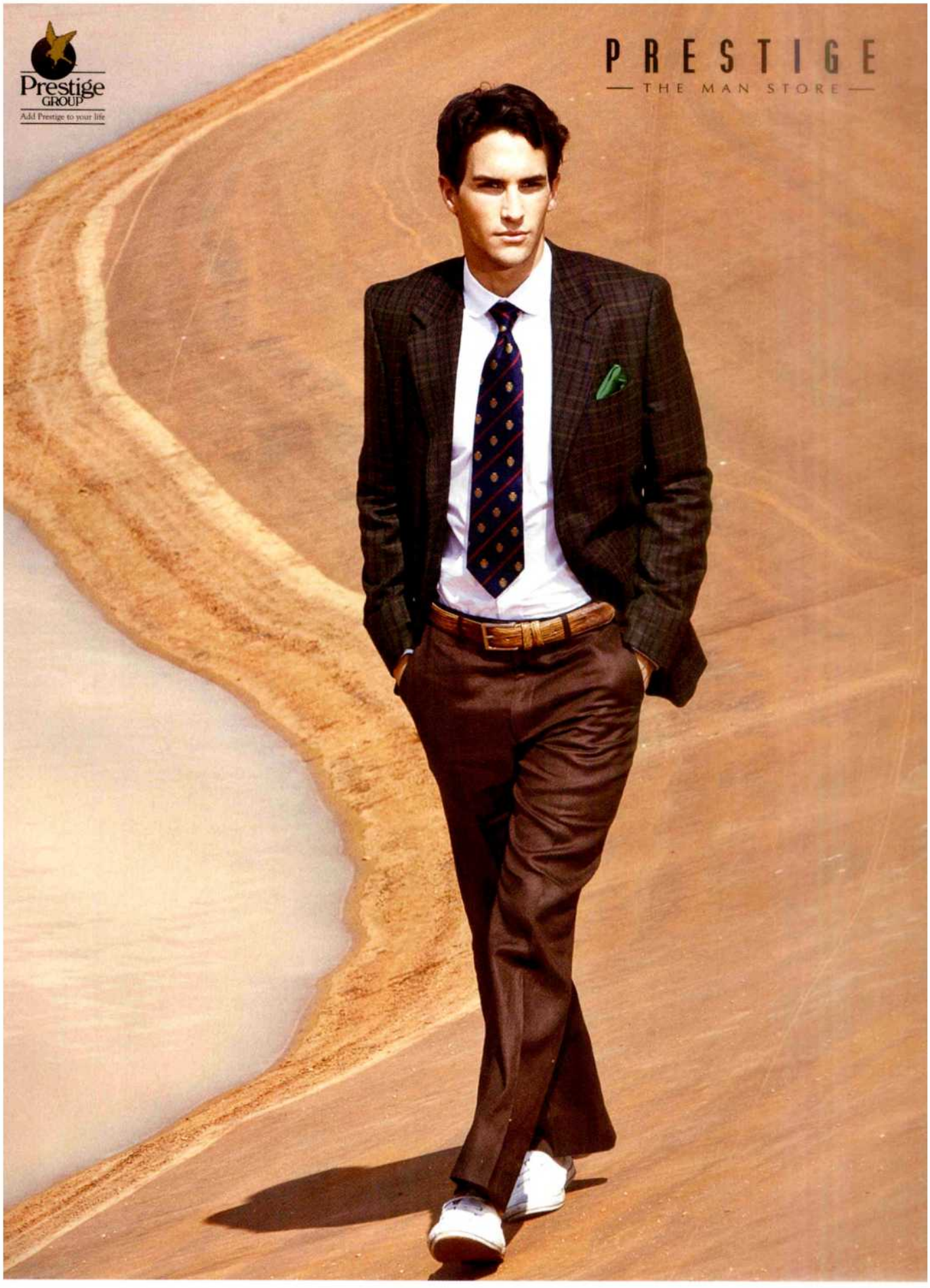
Sundeep Sikka,
37, CEO, Reliance Capital Asset Management

BEEN THERE
Led by Sikka, Reliance Mutual controls 14 per cent of the industry assets under management

DONE THAT
Kept Reliance Mutual Fund profitable despite the sweeping changes in the sector

A-HA MOMENT
In 2006, when Reliance overtook UTI Mutual Fund to become India's largest

FITNESS
Day begins with an hour at the gym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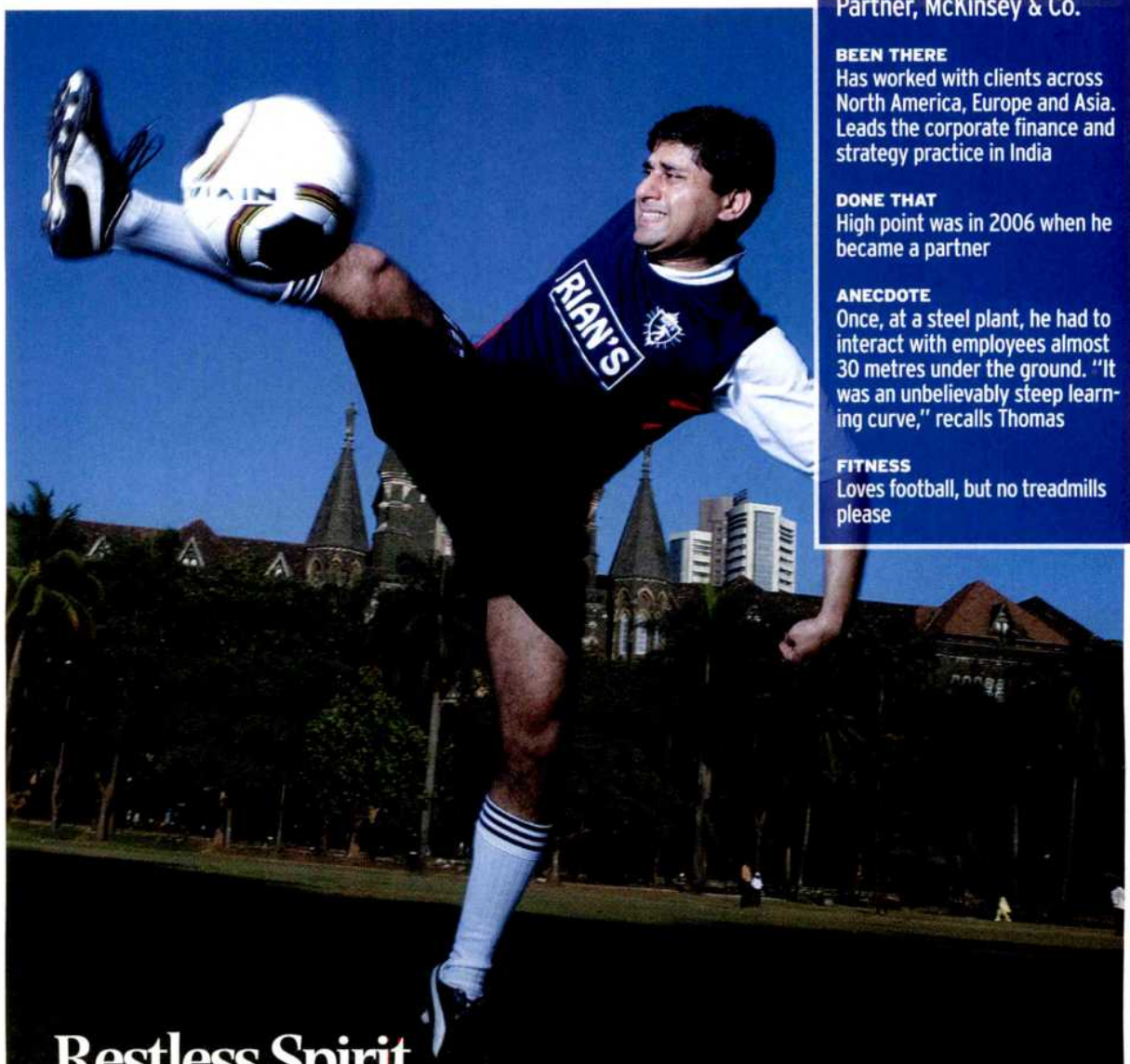

Renny Thomas, 37,
Partner, McKinsey & Co.

BEEN THERE
Has worked with clients across North America, Europe and Asia. Leads the corporate finance and strategy practice in India

DONE THAT
High point was in 2006 when he became a partner

ANECDOTE
Once, at a steel plant, he had to interact with employees almost 30 metres under the ground. "It was an unbelievably steep learning curve," recalls Thomas

FITNESS
Loves football, but no treadmills please

Restless Spirit

His professors at the Indian Institute of Technology, Delhi were disappointed when he opted to study management. But Renny Thomas goes where his passion dictates.

In school, his goal was to get into an IIT. At IIT Delhi, he decided that being a plain engineer was not for him. A gold medal later, he headed for the Indian Institute of Management, Ahmedabad. "I leaned towards corporate finance and financial services," says Thomas. In 1998, after B-school, he decided to join a consultancy rather than an investment bank or multinational. In fact, he had no clue about McKinsey till his second year.

"McKinsey offered a varied experence," says Thomas, who has worked in steel and chemicals plants, and also been in hospitality and fast-moving consumer goods.

"I began to gravitate towards financial services around 2002," says Thomas. In the next four years, he did stints in Australia, and in West and South East Asia. He also led McKinsey's lean banking programme for better efficiency and productivity in the services sector. "The product was a little ahead of its time," he says, referring to its requirement after the 2008 financial meltdown.

Thomas rose to become a partner in 2006. He loves the travel that comes with the job, and has already visited over three dozen countries. "Next could be South America," hints this football lover. This will be a family outing, he promises (his son is just one-and-a-half now). Oh, Brazil will host the 2014 FIFA World Cup.

ANAND ADHIKARI

VIVAN MEHRA

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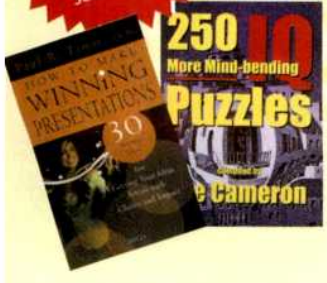

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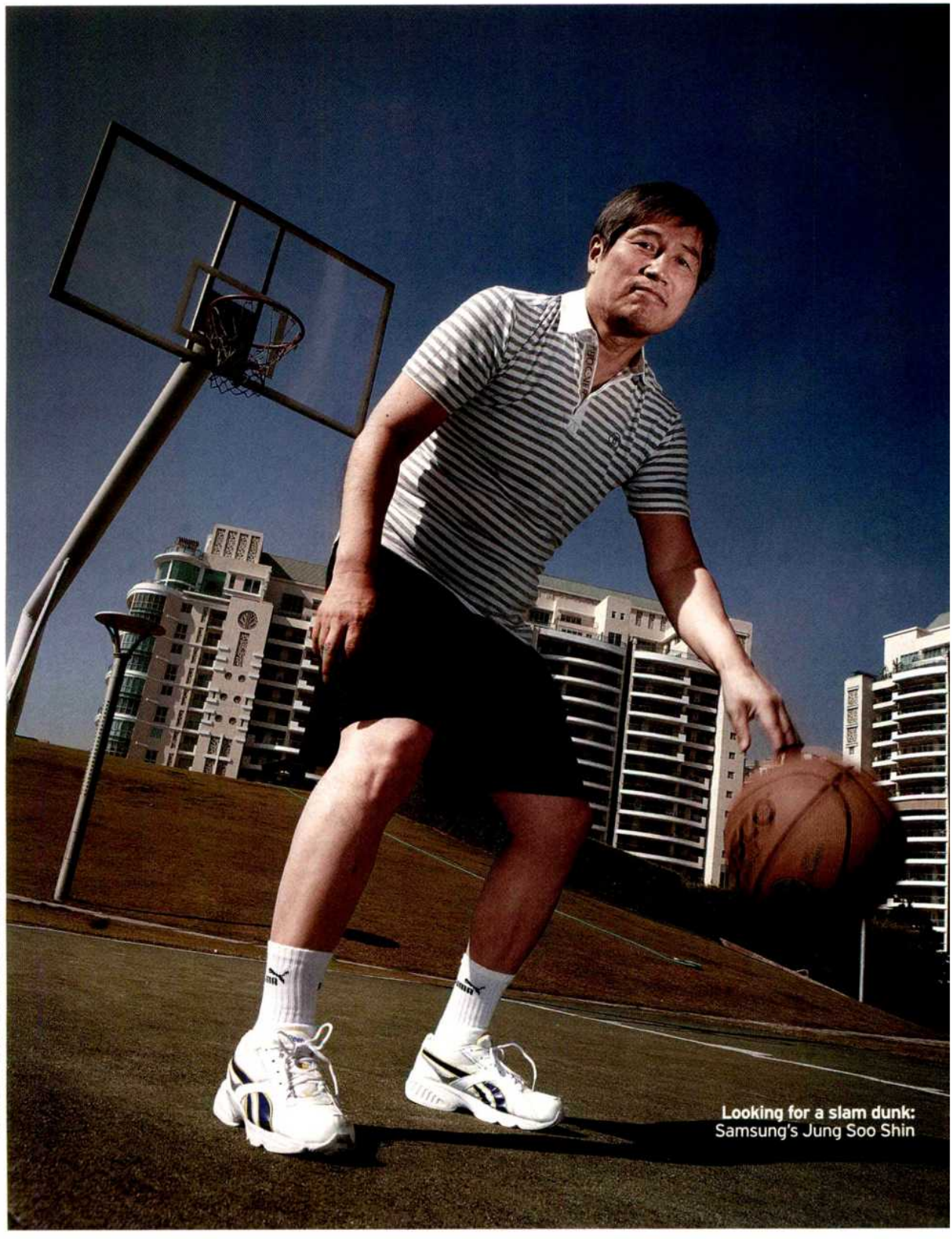


Looking for a slam dunk: Samsung's Jung Soo Shin

PHOTOGRAPHS BY SAPTARSHI BISWAS

Challenge

Samsung, for years behind rival LG, is now a step away from becoming India's top consumer electronics company. By SUNNY SEN

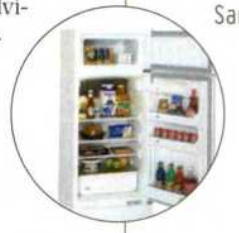
In 1997, two years after shedding its quaint Lucky Goldstar name, when Korean consumer electronics giant LG entered India, local competitors that dominated the industry discounted them. At their peril, as it turned out. Within a few years, LG had powered ahead, leaving a trail of broken domestic companies – BPL and Onida, the most prominent of them.

But what gave the managers at LG even more satisfaction is that they had left their Korean rival Samsung biting the dust. By 2007, LG was clocking $2 billion, ₹8,000 crore then, in revenues in India. This despite the fact that globally, Samsung had become the Sony of the 21st century, the largest consumer electronics firm. Doubly hurtful was that Samsung was the largest *chaebol*, or conglomerate, in Korea and LG No. 2.

It is time for that lead to be rewritten. Bolstered by rapidly climbing consumer electronic sales, particularly of flat panel displays and mobile phones, and better realisations through a small pricing premium, Samsung has equalled LG in sales – around ₹16,000 crore – and expects to end 2011 ahead of its rival by a substantial margin.

Some executives at Samsung boast LG is already behind. "We are bigger in size and in portfolio. Category to category we are much larger," says Ravinder Zutshi, Deputy Managing Director at Samsung India, the man responsible for its consumer electronics business. Data on market shares do not back that up but with the benefit of stronger pricing – Samsung prices itself at a two to five per cent premium – the bigger *chaebol* is powering ahead.

Samsung's sales projections for 2011 show revenues of ₹22,400 crore, a growth of 40 per cent. LG on the other hand expects sales of ₹20,000 crore. In a market of around ₹1,10,000 crore for consumer electronics and mobile phones put together, as estimated by Technopak, a Gurgaon retail advisory firm, Samsung's is a powerful one-fifth share. Both companies expect to double sales shortly. By 2013, Samsung hopes to touch around ₹46,000 crore; LG ₹40,000 crore by 2014.



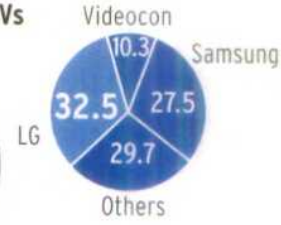
How did Samsung get ahead and, as importantly, how did LG cede its ground?

There is no doubt that mobile phones have powered Samsung's recent sales success – half of its India revenues come from mobile and information technology, or MIT, products. Various surveys give Samsung market shares in mobile phones between 14 and 23 per cent in India. It is acknowledged to be a strong No. 2 to market leader Nokia, thanks to early success with touch-screen phones and popular devices Galaxy S, Wave 2 and the Guru range. This is something that LG India accepts. Y.V. Verma, Chief Operating Officer

Almost There

Samsung is giving its rivals a run for their money...

FLAT TVs



PANEL TVs

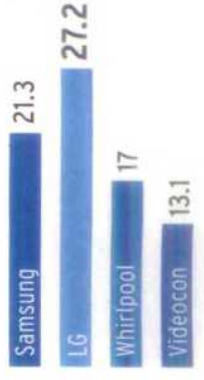
Samsung	Sony	LG
29.4	26.3	23.5

FROST FREE REFRIGERATORS

DIRECT COOL REFRIGERATORS

LG	Whirlpool	Godrej	Samsung
28.6	18.7	16.1	14.2

WASHING MACHINES



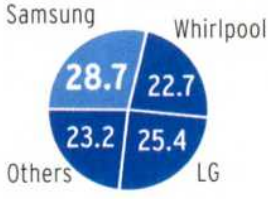
GRAPHICS BY SANTOSH

... and is close to becoming leader in the consumer durables space

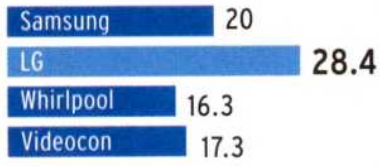
FULLY AUTOMATIC

LG	Samsung	Whirlpool	IFB
24.9	23.9	18.4	15.8

FULLY AUTOMATIC TOP LOAD



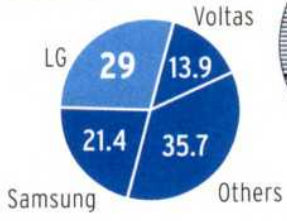
SEMI AUTOMATIC



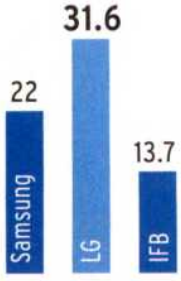
WINDOW ACs

LG	Samsung	Voltas
28.7	21.5	16.1

SPLIT ACs



MICROWAVE OVENS



Market share for the Jan-Dec 2010 period in per cent
Source: GFK

of LG India, concedes: "They are good at mobiles and we are not good at it." He is quick to point out that LG will come out with better products and without the mobile business, Samsung still lags. "If you take out mobiles, they are 65 per cent of us," says Verma.

Kwang-Ro Kim, LG's erstwhile India chief who left his employer in 2007 after building the company up from scratch in the country, says as much. "The management of LG in Korea underestimated the appetite India has shown for mobile phones. Hence, LG faltered a bit on that count," says Kim, who now heads a new credit rating agency, which is part of the Onida Group.

Analysts also credit Samsung's success at premium pricing, though LG rubbishes this. "(Samsung) has not gone to the masses, so has created a premium positioning, compared to LG," says Purnendu Kumar, Vice President, Technopak. This, he believes, has helped Samsung in the replacement market, which accounts for 30 per cent of urban sales. Such buyers tend to pay more for what is perceived as a premium product.

Still, that cities-focus is set to change at an ambitious Samsung. All that it has to look at is Sony, which is renowned for its price premiums but is going for scale in India. Globally, we are a premium market product, but at the same time we want to capture the mass market," says Tadato Kimura, General Manager of Marketing at Sony India. "Focusing only on premium products is not enough in India," he adds, referring to Sony's recent introduction of lower-cost sets in its Bravia flat panel TV range.

Jung Soo Shin, Samsung South West Asia CEO, actually wants to emulate a part of LG's strategy from the early part of the last decade. Around 2003, Kim took LG deep into the Indian market, going into towns with a population base of 100,000 people. "If one villager buys an LG product and is happy, the entire village buys LG. There is greater stickiness," says LG's Verma.

Jung (he is called Shin by his colleagues in India), who regularly shoots hoops at a basketball court near his Gurgaon home, believes the Indian market has a lot of headroom to grow. Samsung wants to expand its reach, from around the 17,000 outlets that sell its products currently to exceed the 20,000 outlets that retail LG products. This would also entail an increase in its single-brand Samsung Plaza outlets, 400 of which dot India (compared to 270 Sony Centres and over 1,600 LG Shoppes) and make for 14 per cent of its India sales (12 to 13 per cent for LG).

Half of Samsung India's revenues come from mobile and information technology products

Ranjit Yadav (left) and Ravinder Zutshi (right)

Ranjit Yadav, Director for MIT at Samsung India, relates Jung's aggressive push with an instance when it was suggested last December that Samsung open a line of exclusive shops for high-end mobiles after a successful experiment at New Delhi's Nehru Place commercial area. Jung not only bought into the idea but mandated Yadav open 600 'Samsung Smartphone Café' outlets by the end of 2012. "Once he (Jung) is convinced on the business case, he wants quick action. Speed is very

important to him and so is the big picture," says Yadav. "Customer comes first for him."

This will be coupled with an increase in local manufacturing so that the company can customise products faster for local needs. For example in 1997, Samsung barely made 10 to 15 refrigerators a day. Today the company makes 5,500 at a new Chennai plant – around 1.4 million a year. Its plant in Gurgaon rolls out a cathode ray tube TV every 4.5 seconds. Its investments of $225 million in factories in India also cover mobile phones, washing machines and air conditioners.

Yet not every bet Samsung has made has been that successful. Despite playing a starring role on the *Koffee with Karan* talk show, sales of its flagship Galaxy Tab have been weak, despite price drops. Globally, Samsung's bet on 3D TVs has fallen flat as the technology itself has stalled. Samsung's late entry into the notebook market – despite being a global supplier of almost every computer component – in India might actually cost it the opportunity to grab top spot in the laptop market.

And then there is the re-emergence of local brands that were hammered when LG and Samsung entered the Indian market. Thanks to cheap Chinese manufacturing and the emergence of organised retail with chains such as Big Bazaar, brands such as Tokyo-based Akai and home brand Onida are making a comeback. Jung shrugs off this competition: "Eventually, these brands will die."

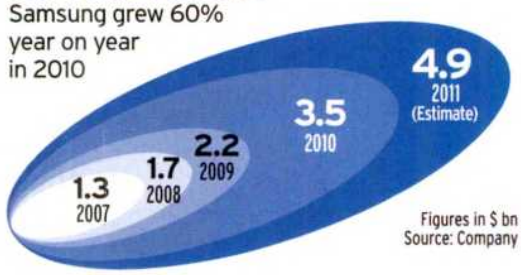
Yet, while Jung has managed to out-dribble his competitors in this battle, the war between Samsung and LG is far from over. Kim, the ex-LG India chief, says Shin will find tough competition in LG's new man on the ground in India. Soon Kwon, who took over in December, "is very serious about his ambition for growth here," says Kim. "It will now not be unusual to have situations when two equally good giants compete in the market. Sometimes Samsung will lead; there will be times when LG will race ahead."

It may have taken 14 years in the making but the battle of the *chaebols* in India may have just begun. ◆

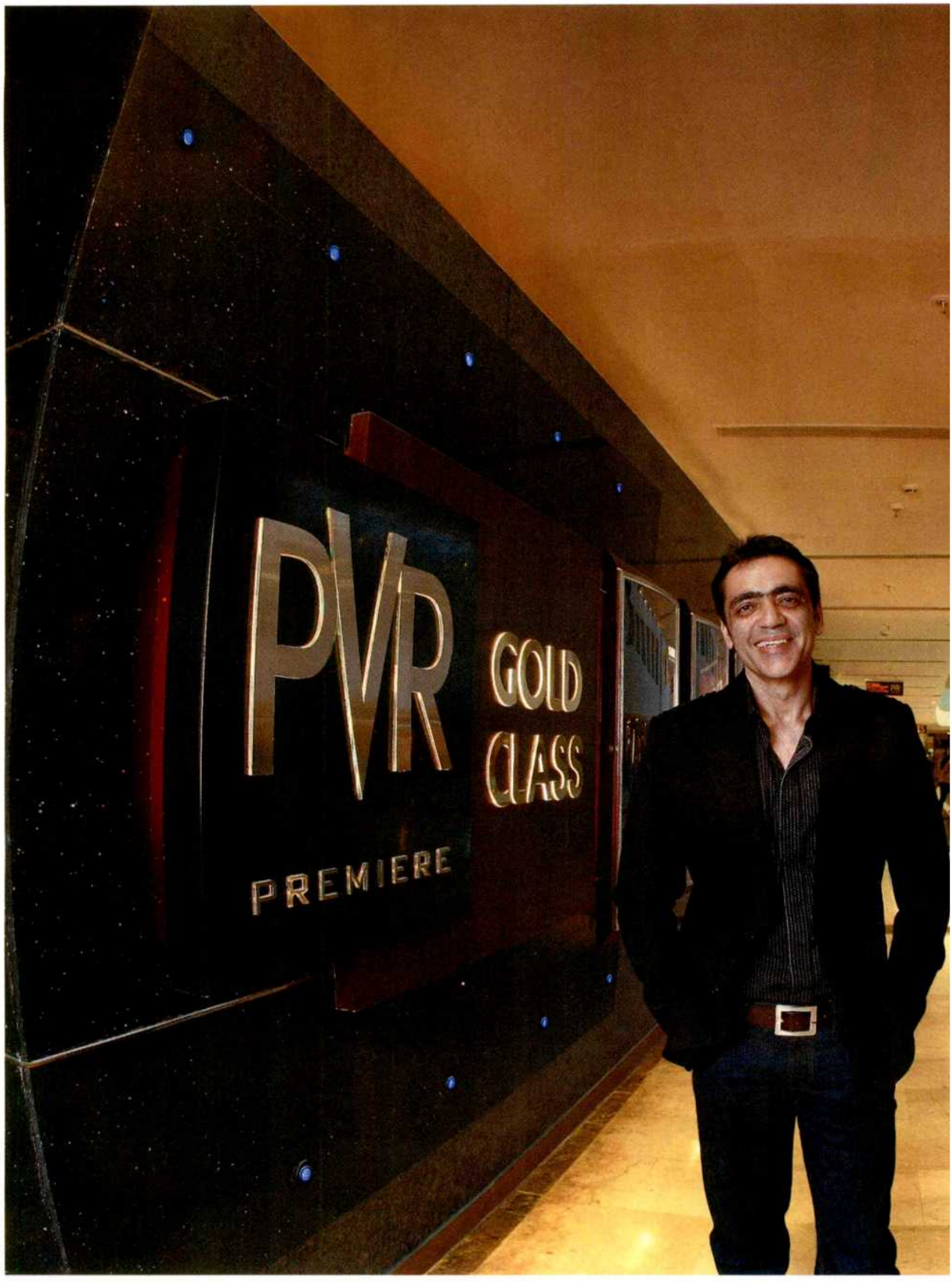
ADDITIONAL REPORTING BY SHAMNI PANDE

FAST AND FURIOUS

Samsung grew 60% year on year in 2010



Figures in $ bn
Source: Company



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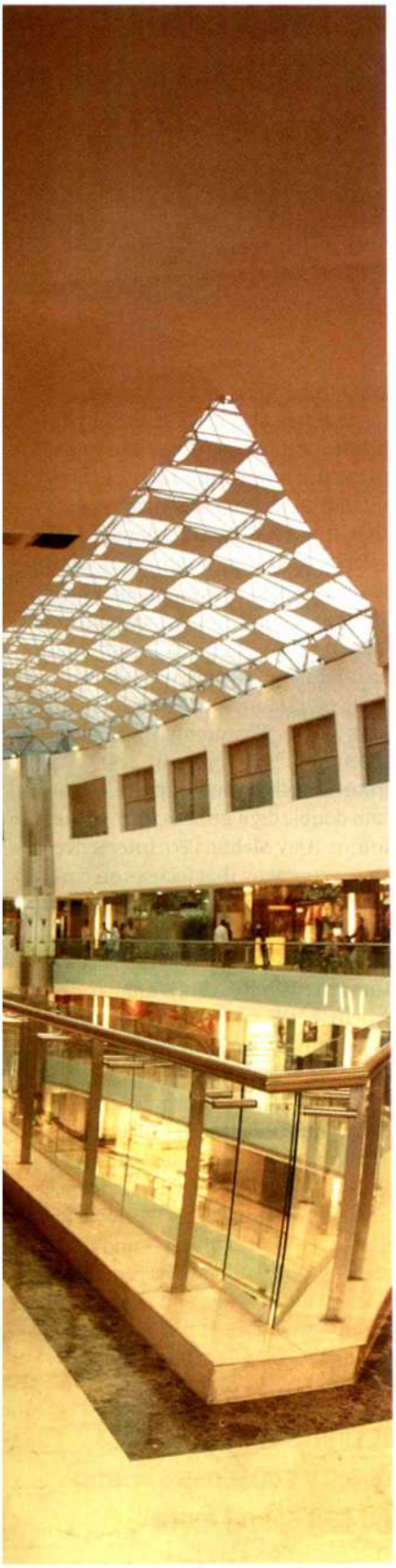


Back to Basics

Ajay Bijli's stab at new entertainment zones is only to beef up his real hero – the multiplex. By SHAMNI PANDE

Sometimes movie-making happens like clockwork; other times, like a car-accident," Hollywood actor Eric Roberts once said. Thousands of miles away, at his landmark PVR Priya cinema office in Delhi's Basant Lok, where the multiplex revolution was born in 1995, Ajay Bijli would be inclined to agree. The chairman of PVR has first-hand experience of the vagaries of the film production business.

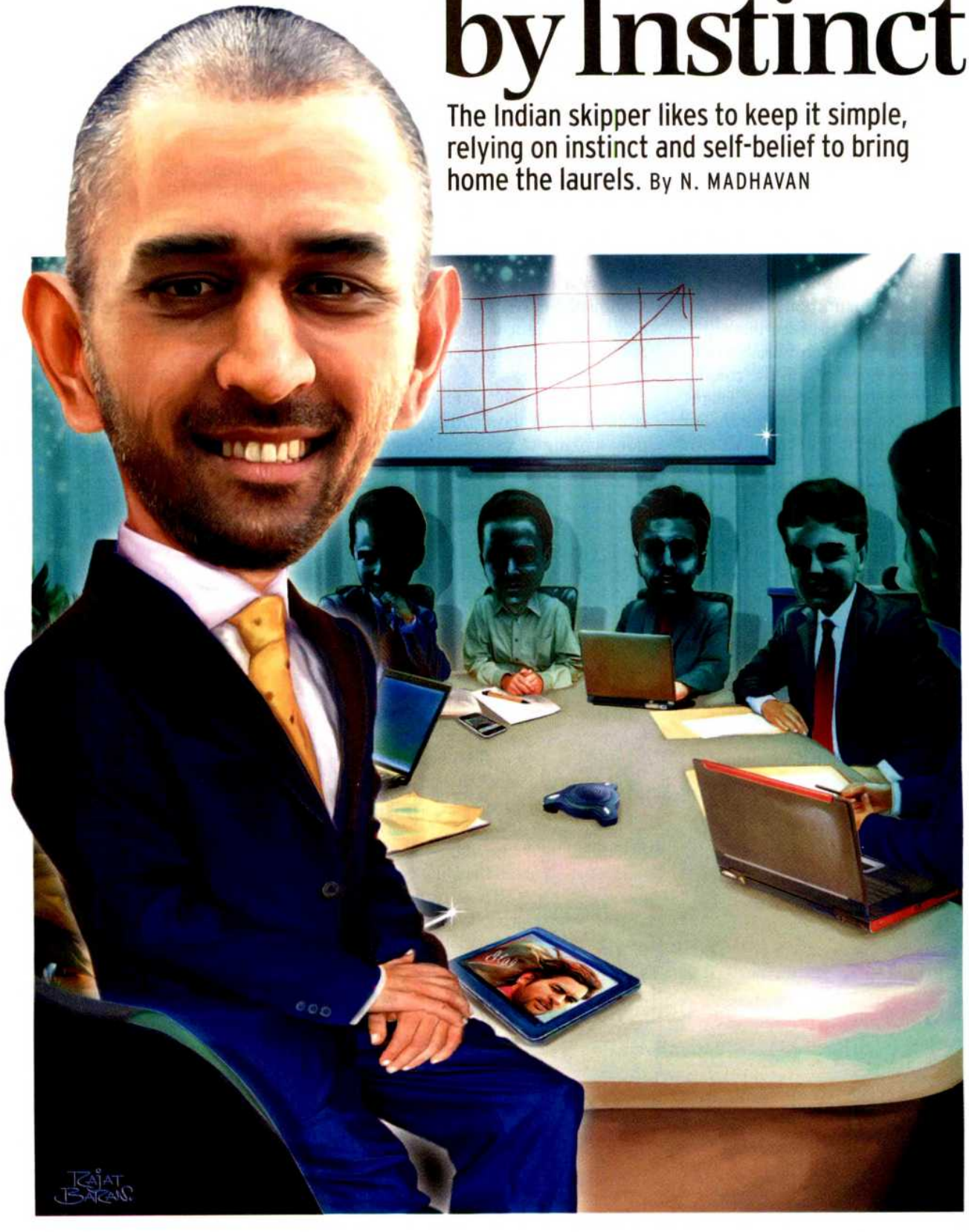
Among the turkeys Bollywood delivered last year was the expensive period film produced by PVR, Ashutosh Gowarikar's *Khelenge Hum Jee Jaan Se*. The next, recent release of the Bijli brothers, Ajay and Sanjeev, *3 Thay Bhai* too, has had a lukewarm initial response at the box office. Moving into film production and distribution in 2004, the brothers have so far produced seven films. But with these setbacks, they are now becoming cautious about investing large sums in film production. "We had tremendous success with *Taare Zameen Par* and *Jaane Tu Ya Jaane Na*, but it's a volatile business," says Ajay.

Bollywood's lean season for most of 2010 has cemented PVR's faith in its core proposition – the exhibition business, where it is acknowledged as the pioneer of the multiplex revolution in India and seen as a front-runner. "We are very clear that this is where we are anchored. As we grow, we simply have to keep our position clear – that we are the best in the exhibition industry, which is our core offering," says Ajay.

It's back to basics then, and PVR is assiduously crafting a strategy to scale up its exhibition business. It is already working with mall developers to acquire key anchor positions. "We are obsessive about getting the retail trends and developments right, and once we identify an upcoming location/project, we negotiate for bulk anchor space," says Pramod Arora, group president & CEO, PVR. The PVR team believes that getting

Leader by Instinct

The Indian skipper likes to keep it simple, relying on instinct and self-belief to bring home the laurels. By N. MADHAVAN



He led a young Indian team to victory in the inaugural T-20 Cricket Championship in September 2007. In December 2009, India became the top-ranked Test team in the world for the first time under his captaincy. The team still retains that spot. He captained Chennai Super Kings (CSK) – his Indian Premier League team – to victory in April 2010 and followed it up by lifting the Champions League Trophy for the same team in September. The mother of all victories came in early April this year: India won the ICC Cricket World Cup after 28 years.

Mahendra Singh Dhoni is the only captain in the world to have tasted success in all formats of the game, and that too in just four years. No wonder, batting legend Sachin Tendulkar calls the 29-year-old the best among the nine captains he has played under in his 21-year career. Australian great Greg Chappell calls Dhoni the best captain in the world today. Former Indian skipper Kapil Dev, who led the country to its first major cricketing triumph – the 1983 Prudential World Cup – has no qualms in accepting that Dhoni is a better captain.

The transformation of MSD, as he is often called, from a long-haired pinch-hitter to a suave captain could not have been more dramatic. He burst into Indian cricket in 2004 as a small-town boy with a penchant for whacking the ball out of the ground with his trademark 'helicopter shot'. Captaincy came his way in September 2007 when he was appointed skipper for the Twenty20 World Cup championship. India won the tournament.

Soon after, he was given charge of the team in the other two formats of the game too – one day internationals and Test cricket. (Sure, there have been temporary stumbles, like the exit at the league stage in the 2010 T-20 world championship.) The manner in which he has gone about transforming a formerly 'also ran' team into the best in the world offers valuable lessons in management and leadership.

Keep it Simple, Silly

Unlike most other captains today, Dhoni does not believe in strategising excessively before a match. In fact, he seldom watches match videos or pores over statistics. Team meetings on match days are mostly stand-in sessions lasting no more than 10 minutes, say colleagues. "I like to keep things simple. Cricket is a simple sport and you complicate it by thinking too much. More you think, more complex it becomes," Captain Cool said at a press conference days after winning the ICC World Cup.

Dhoni employs sleep as an effective tool to beat pre-match tension. On the day of a big match, people close to him reveal, he wakes up just two hours before the match starts. Keeping it simple also helps him to remain calm in live wire situations. Former Australian wicketkeeper-batsman and Dhoni's idol Adam Gilchrist recently said the Indian skipper's biggest plus point was his ability to remain calm under pressure. Venkat R. Krishnan, professor of Organisational Behaviour, Great Lakes Institute of Management, sees merit in Dhoni's methods. "Successful managers take decisions on the fly and abhor paralysis by analysis," he explains.

MSD's ability to read the game and the weaknesses of his opponents, more than compensates for the lack of major pre-match brainstorming. "He has always flummoxed rivals with his field placements, his use of bowlers or his frequent changes in the batting order, which invariably turned the match in his team's favour. This is because he reads the game very well," says Ravi Shastri, commentator and former Indian skipper. For instance, when West Indian all-rounder Kieron Pollard walked in to bat for Mumbai Indians at the 2010 IPL finals, Dhoni was quick to place two fielders at extra cover. Pollard fell for his weakness – an uppish cover drive straight into the hands of one of them.

Also, instinct – more than a well-thought out strategy – predominantly drives Dhoni's decision making. It was in-

latest season and we don't sell deeply discounted products the way some of our competitors do," says Bansal. Soon after the makeover, however, two of the co-founders, Saxena and Sastry, quit, moving on to other jobs.

According to industry watchers, in the coming years lifestyle and fashion brands will see nearly a tenth of their overall volumes coming from online purchases. Thus, many brands were quick to grab the opportunity Myntra offered. For fashion and sportswear brand Puma, for instance, a robust online presence was a business necessity. "Today, everyone is online," says Rajiv Mehta, Managing Director, Puma India. "Young people, a key target group, tend to save time by hunting for deals online and eventually lead virtual lives." Puma is now looking for newer ways to leverage the online platform. According to Mehta, one of the ways could be to sell footwear with specific colours and designs only through Myntra.

At ₹2,000 crore, the sportswear market is still relatively small in India and divided among half a dozen players. An online presence acts as an evangelist for the brands, says Nike India's marketing head Sanjay Gangopadhyay. "Myntra gives our distribution an additional edge beyond conventional multi-brand outlets and large retailers." With Myntra's technology also improving, more and more Nike customers now prefer to shop online, Gangopadhyay says.

Myntra expects revenues of ₹75 crore in the just-concluded financial year, compared to barely ₹3 crore two years ago. "There are early indications that significant brands want to work with Myntra for their online reach and commerce," says Subrata Mitra, a partner at Accel Partners, an early stage venture capital firm, which first invested in the firm in 2007. E-commerce enterprises need to focus on solving some of the fundamental problems that a customer faces, says Deep

SANTOSH

Kalra, CEO of makemytrip.com, India's leading travel portal. "Many entrepreneurs get so carried away by their own ideas that they lose sight of this most critical aspect."

Infusing the Right Talent

Myntra, however, has not fallen into this trap. Instead, it has focused on improving its back-end services by deploying a 24-hour call centre, setting up a dedicated warehouse in Bangalore and fine-tuning the processing and delivery of orders.

"In the initial phase, everyone does everything, but as we grew we started hiring specialists and made necessary changes in the organisational structure," says Kalra. "It is important to get senior people who fit into a start-up."

Bansal has done just that. He has taken on board the likes of Sanjay Ramakrishna, who earlier worked with Google and Intel, and Deepak Rishi, former supply chain head for apparel firm, VF Arvind.

"In the e-commerce market, the emotional connect with consumers is the key," says Ramakrishna. In an increasingly fragmented market, Myntra has chosen its niche carefully – it sells the latest and most popular fashion merchandise online. Its focus is on building rich catalogues which consumers can use to pick their products. This has worked like a charm. During the recently-concluded cricket World Cup, it sold over 20,000 Team India jerseys.

"We deliver within 48 hours at present, but that can be reduced to less than 24 hours with a strong warehouse and a smoother supply chain," says Rishi. Besides, Myntra is carrying out trial runs of door-to-door delivery in the city. "We will set the benchmarks for the industry to follow," says Rishi.

Critics claim there are still gaps in Myntra's set-up. They claim the website's design and experience offered to the user are still rudimentary. The absence of a plan to provide a mobile phone platform is also seen as a glaring gap in its portfolio. "The mobile is soon going to overtake the personal computer as the primary mode of Internet access for Myntra's key target group," says Menon of IDG Ventures. "We should soon have a plan on this front."

With the Indian e-commerce industry expected to cross ₹46,000 crore this year, growing by over 46 per cent, according to the Internet and Mobile Association of India estimates, Myntra will quickly need to plug these gaps if it is to be counted among the heavyweights in this industry. ◆

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Innovation's Holy Grail-I

A few Indian pioneers have figured out how to do more with fewer resources – for more people.

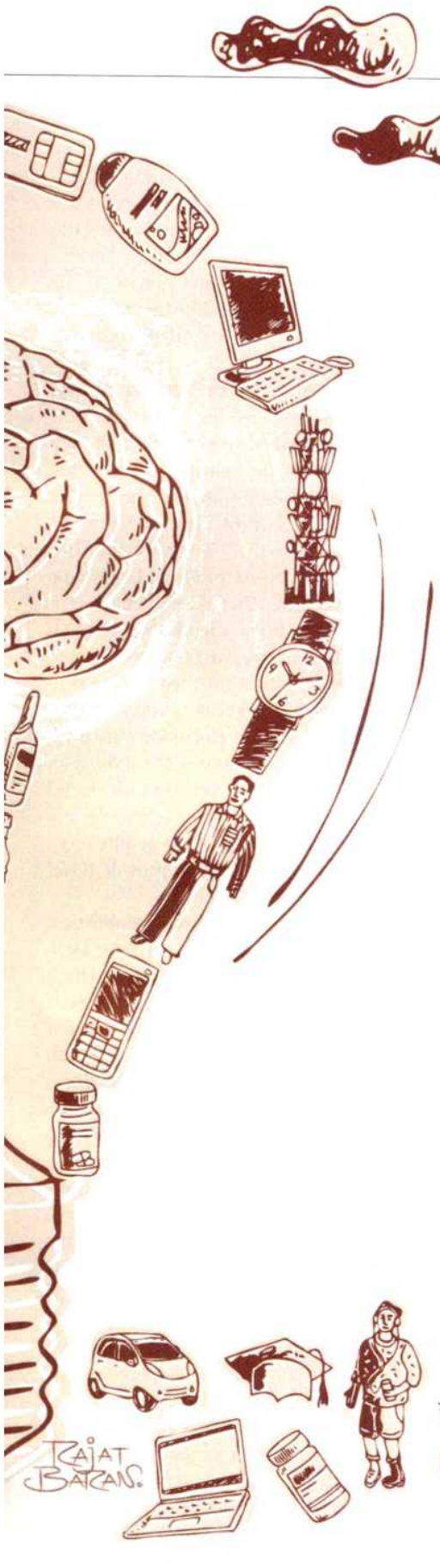
By C.K. PRAHALAD and R.A. MASHELKAR

C.K. Prahalad, one of the world's most influential management thinkers, passed away a year ago in April 2010. As a tribute, Business Today *presents, in two parts, the last article he wrote which* Harvard Business Review *published posthumously. The concluding segment will be featured in the June 12 issue.*

Innovation, after vanishing from corporate priorities during the recent recession, is slowly making its way back onto to-do lists in corner offices. In most companies, though, the innovation process is coughing and sputtering like a rusty old engine. Not unlike internal combustion, traditional innovation is heading for obsolescence – because parameters have completely changed – and it will take unsuspecting organisations with it.

Most innovation programmes are built on the assumptions of affluence and abundance. The more, the better. Striving for bigger margins is B-School 101. However, we see shaken consumers in the United States and Europe asking for inexpensive or value-for-money products and services. We see billions of first-time consumers in China and India – where economic growth is surging and two billion to three billion people will join the middle class in the next decade – who can afford only the cheapest offerings. We see the rich and the young in both the developed and the developing worlds demanding environment-friendly products and services. Affordability and sustainability, not premium pricing and abundance, should drive innovation today.

Companies can respond to the challenge by developing strategies that allow them to create more products with fewer resources and sell them cheaply. The search for lower manufacturing costs and



fresh sources of talent will increase pressure on them to globalise, leading to more-complex knowledge chains, supply chains, and cross-border interdependencies. At the same time, the new processes will make products and services accessible to a greater number of consumers the world over. Learning to do more with less for more people, we believe, should be the innovator's dream.

While this undertaking is proving to be a nightmare for many Western companies, our research suggests that a few pioneers in developing countries are showing the way. They design inexpensive products and manufacture them with so little capital and on a scale so vast that their prices – one cent for a one-minute telephone call, $30 for cataract surgery, $2,000 for a car – are, by an order of magnitude, the lowest in the world. Faced with shortages of capital, technology and talent, audacious entrepreneurs in emerging markets have had no choice but to overturn accepted wisdom. A potent combination of constraints and ambitions has ignited a new genre of innovation.

Nowhere is this more evident than in India, which was not exactly famous for innovation until recently. Indians used to joke that it was prophetic that a local mathematician had arguably, around 500 AD, invented the number zero – because that was how many innovations Indians developed thereafter. No longer can anyone say that. Smart Indian companies have come up with new technologies and radical business models to penetrate the country's mass markets. They have done this by transforming almost every element of the value chain, from supply-chain management to recruitment, and creating novel business ecosystems.

Some describe this phenomenon as

C.K. Prahalad
was the Paul and Ruth McCracken Distinguished University Professor of Strategy at the University of Michigan's Ross School of Business.

R.A. Mashelkar
is a CSIR Bhatnagar Fellow at the National Chemical Laboratory in Pune, India, and a former Director General of CSIR. He serves on the boards of Reliance Industries and Tata Motors, one of the companies cited in this article.

an extension of the Indian tradition of *jugaad*: developing alternatives, improvisations, and make-dos to overcome a lack of resources and solve seemingly insoluble problems. However, the term "jugaad" has the connotation of compromising on quality. We prefer "Gandhian innovation," because at the core of this type of innovation lie two of the Mahatma's tenets: "I would prize every invention of science made for the benefit of all," and "Earth provides enough to satisfy every man's need, but not every man's greed." Affordability and sustainability were Gandhi's touchstones six decades ago, and Indian companies have recently discovered their power.

In the following pages, we will describe the factors that led to this genre of innovation in India, unveil a framework that will help executives understand this approach, and present some ideas that will allow companies everywhere to develop Gandhian innovations.

> "Earth provides enough to satisfy every man's need, but not every man's greed"
> Mahatma Gandhi

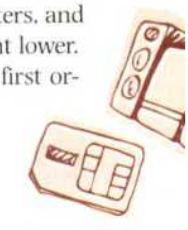
Three Kinds of Gandhian Innovation

Over the past three years, we have studied how Indian companies and organisations innovate, often backed by the government. Some are established companies, and others are start-ups. They aren't confined to a few industries; they run the gamut of manufacturing and services – automobile manufacturing, drug development, health care, leather finishing, mobile communications, oil drilling, retailing, supercomputing, water purification, wind energy – and cover a range of capital and labour intensities. The only common link is that they're all radically innovative.

When we devised a framework to help other enterprises innovate along similar lines, we found that two variables merit analysis. One is, of course, the source of the technologies involved. They can be bought; adapted or synthesised in a fresh way; or built ab initio. The other key factor is the organisation's capabilities, by which we mean the competencies, knowledge, and skills that the company must apply in order to be successful. At one end of this spectrum, companies can disrupt business models by using existing capabilities but at a lower cost. At the other, they can create entirely new capabilities. Those in the middle modify capabilities. The two-way classification, we find, leads to three types of Gandhian innovation.

Disrupting business models. Several Indian companies have used Western technologies but created business models that have completely altered an industry's economics. For instance, IT-based software and service providers such as Satyam, Wipro, Infosys, TCS and HCL use off-the-shelf hardware, but they deploy new talent-based business models to be globally competitive. They have crafted methodologies for partitioning work so that much of it can be done off-site, which allows them to enjoy the lower costs of talented engineers in India. Outsourcers worldwide account for only about six per cent of the global software business, but they have changed the industry's dynamics. (Indian outsourcers have also added new capabilities over the years – first offering lower costs, then creating better-quality processes. They are now trying to provide novel end-to-end business solutions.)

Modifying organisational capabilities. Other Indian companies have synthesised several technologies and, as a result, altered their capabilities – such as design skills or speedy deployment of resources on a large scale. For example, in 2007, Computational Research Laboratories, or CRL, part of the Tata Group, developed the world's fourth-fastest and Asia's fastest supercomputer, Eka, by coming up with a whole new design using standard components. (Eka was the world's 26th-fastest supercomputer as of November 2009.) CRL engineers created a near-circular layout for the computing core, instead of alternating hot and cold aisles, and used off-the-shelf servers, dual data-rate fibre optic technology, and the Linux operating system – all supercomputing firsts. This reduced the cost of developing the machine to just $20 million. Moreover, the cost of the cooling equipment is 50 per cent lower than it is for other supercomputers, and the operating cost is 20 per cent lower. Incidentally, CRL is one of the first or-



ganisations to offer supercomputing as a service; 40 companies, such as Boeing and Tata Motors, rent Eka's services every year. CRL is now working on an Eka++ project to increase the supercomputer's processing power fivefold.

Creating or sourcing new capabilities. Indian entrepreneurs have focused not only on building disruptive business models and honing existing capabilities but also on creating or acquiring new capabilities to solve problems, which often requires technology development or a collaborative approach to obtaining technical expertise. That's how Tata Motors came up with the $2,000 Nano car. It worked with several multinational and Indian companies to make components that would fit its specifications: Tata turned to Germany's Bosch for a new engine-management system; Italy's I.DE.A. Institute and Trilix for styling and exterior design; India's Sona Koyo for lightweight steering shafts; America's Johnson Controls for the seating system; Japan's Toyo for the engine-cooling module; Germany's Behr for the heating, ventilating, and air-conditioning system; and India's Madras Rubber Factory for tougher-than-normal rear tires.

The three kinds of Gandhian innovation defy the traditional innovation categories: product, process, packaging, and pricing. They tackle all those areas in new ways at the same time, rendering irrelevant the discrete categories into which many executives pigeonhole innovations, as we shall show next.

Innovations That Change Business Dynamics

After India opened up to foreign investment and technologies, in 1991, some companies altered the economics of fledgling industries not by developing state-of-the-art technologies but by creating new business models. They set inexpensive price-performance points and changed the way consumers could access offerings. Some products and services needed a new infrastructure for development and delivery, so these companies also built unique innovation ecosystems.

Perhaps the most striking illustration of this type of innovator is Bharti Airtel, which won a government tender in 1995 to launch mobile telecommunication services in Delhi. Like its rivals, the company had to pay the government a huge sum of money for the spectrum licence and invest heavily in towers, telecom networks, and support systems such as billing and customer care centres. Partly because of these large fixed costs, which it funded mostly through debt, Bharti Airtel charged subscribers a high price for many years. By 2002, it was running out of money even as new rivals were entering the industry.

Top management realised that the premium pricing strategy would not allow Bharti Airtel to expand its subscriber base rapidly and defray sunk costs. The company had to innovate. It reckoned that in India, the average revenue per user, or ARPU – the key metric tracked by every cellular company and analyst in the world – was not the right indicator of a customer's attractiveness. Even if the ARPU were tiny, Bharti Airtel would generate large revenues if it got millions, rather than thousands, of consumers to sign up. To do that, it would have to reduce prices drastically, so it started thinking of itself as a factory that produced wireless minutes. It then focused on three measures: gross revenue and profit, the ratio of operating expenses to gross revenue (to track operating efficiency), and the ratio of revenue to capital expenditure (to ensure capital productivity). When it shifted its focus from the ARPU to gross profit, the company stopped targeting only a few segments and expanded its potential market to the entire Indian population.

Bharti Airtel had to find a way to grow without worrying about financial resources in a capital-intensive industry. One way of doing that, senior executives decided, was to outsource all functions save for six – customer management, people motivation, financial management, regulatory affairs, brand management, and strategy creation – instead of being a vertically integrated company like other cellular carriers. For example, in 2004, Bharti Airtel outsourced its IT services to IBM, promising to pay the provider a percentage of monthly revenues and guaranteeing a minimum monthly payment. By tying IBM's compensation to its own growth, the Indian company gave its supplier skin in the game. Beyond a certain point, if revenues continued to grow, IBM's percentage would fall, allowing the buyer to share in the economies of scale.

Similarly, Bharti Airtel chose to pay its telecom network equipment vendors, Ericsson and Nokia, by the erlang – a unit of telecom capacity – rather than for the equipment used to generate erlangs. The company decided when and where it needed fresh capacity while

CHANGE BUSINESS DYNAMICS

When it shifted its focus from average revenue per user to gross profit, Bharti Airtel stopped targeting only a few customer segments and expanded its market to the entire Indian population.

Thanks to its unique business model, Bharti Airtel is able to charge one cent per minute of talk time – compared with two cents in China and eight cents in the US

the vendors installed, maintained, and operated the "boxes," encouraging them to ensure maximum coverage with less equipment. Bharti Airtel owned the equipment once Ericsson and Nokia had installed it, which gave it an incentive to use the capacity it had commissioned. It measured network quality in terms of dropped calls, blocked calls, network accessibility, and voice quality. It thus converted fixed costs and capital expenditures into variable operating expenses, greatly reducing its dependence on capital.

Bharti Airtel also created the Airtel Open Developer Community, making its application platform accessible to a large number of software companies. It set up processes for vetting potential developers, providing them with data, and managing the life cycles of value-added services. Bharti Airtel doesn't purchase applications outright; it pays developers on the basis of the revenues their services generate, which allows it to source a large number of applications at a low cost.

Although the corporation recognised that distribution would be critical for future growth, it didn't have the time to create its own channels. It decided to piggyback on distributors for consumer product companies such as Godrej and Unilever, which had operated in India for more than a half century. The enterprise gave around 10,000 distributors specific territories and barred them from selling other carriers' products there. The distributors paid the company up front but provided credit to retailers, who could sell products from competing carriers. More than one million shopkeepers in India sold Airtel prepaid and postpaid telecom cards in 2009, and that number will double by 2012. To penetrate rural India, Bharti Airtel teamed up with India's largest microfinance institution, SKS. The partnership enables customers to take out a loan for the Nokia 1650 and pay for it through 25 installments of 85 rupees a month. Bharti Airtel also works with a fertiliser manufacturer, Indian Farmers Fertiliser Cooperative, or IFFCO, which sells cobranded subscriber identity module cards through its retail outlets. Every day, farmers get three free voice updates on market prices, farming techniques, weather forecasts, and fertiliser availability.

Bharti Airtel even collaborates with competitors in order to save capital. As it expanded into rural India, putting up passive infrastructure such as towers, air-conditioning, and generators became a large expense, especially in sparsely populated areas. This wasn't going to be a differentiating factor, so the company mooted the idea of merging its infrastructure unit with those of two other cellular service providers, Vodafone and Idea. By December 2007, the companies had struck a deal to set up Indus Towers, in which Bharti Airtel and Vodafone each own approximately 42 per cent of the equity and Idea owns the remaining 16 per cent. This structure allows the three companies to share the cost of setting up passive infrastructure and reduces the investment that each of them must make to expand operations in India.

Thanks to its unique business model, Bharti Airtel is able to charge one cent per minute of talk time – compared with two cents in China and eight cents in the US – making it the world's most affordable mobile telephone service. In 2009 the company had signed on approximately 100 million subscribers, and it plans to double that number by 2012. The company's ability to scale has quickly paid dividends: Its operating margins increased from – 2.25 per cent in 2003 to 28.3 per cent in 2008. Despite an intensely competitive market, Bharti Airtel reported revenues of $7.25 billion in 2008, and its revenues grew 43 per cent from 2004 to 2008. While the ARPU in India was $5.95 in 2009, compared with $50 in the US, the Indian enterprise was one of the world's most profitable wireless carriers last year, with a 27 per cent return on capital employed, $2.04 billion in earnings before interest and taxes, cash reserves of $963 million, and zero debt. Companies in every industry worldwide are trying to emulate Bharti Airtel's formula for success. ◆

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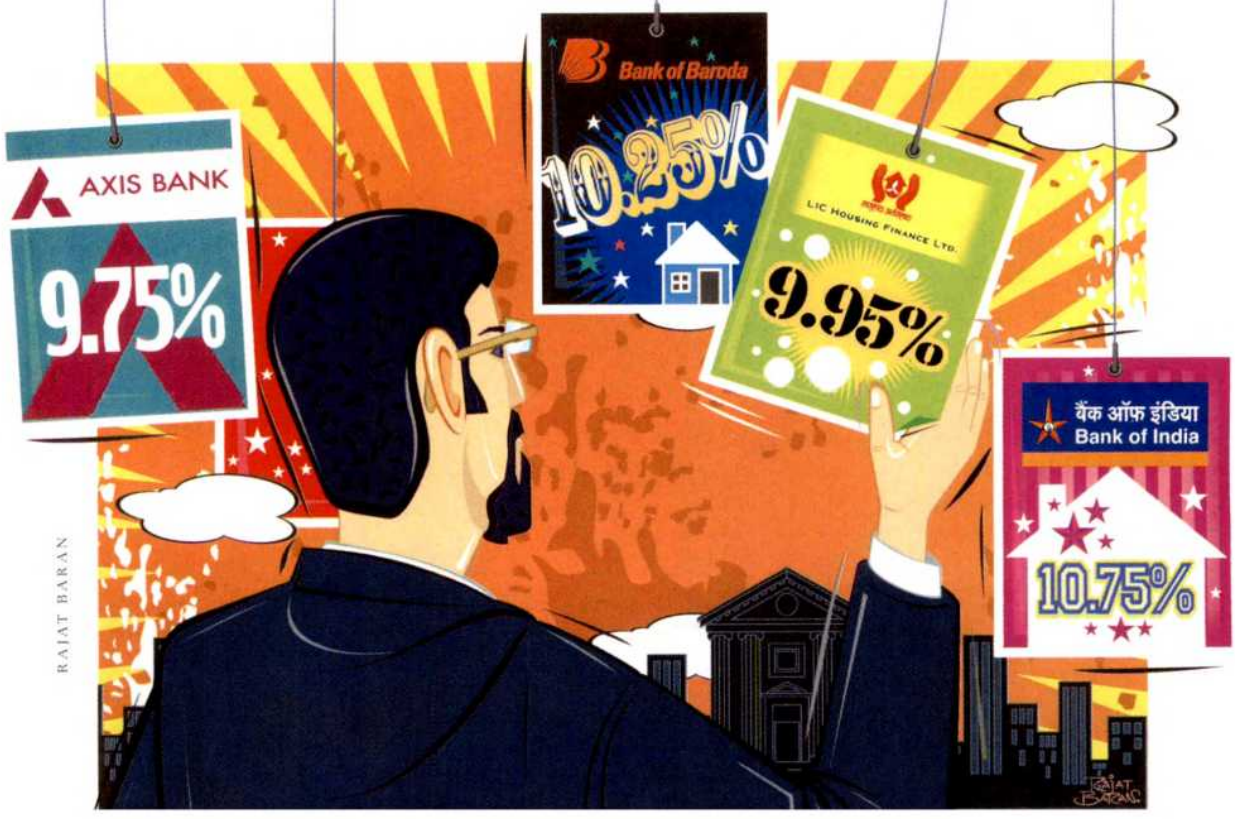
MONEY

HOME LOAN
AT 10-10.25%, YOUR EMI WILL BE ₹926 PER LAKH

Coping With Rate Real(i)ty

With interest rates on home loans climbing, here are some tips for borrowers to deal with the situation. By TANVI VERMA

As interest rates continue to move up, there could be tough times ahead for home buyers. Interest rates today are a far cry from the throwaway rates, as low as seven per cent, on offer just six to seven years ago — many banks are charging over 10 per cent for floating home loans. Although the current rates are much lower than the peak rate of 17.5 per cent in 1997, they can still leave a big hole in your pocket. The recent hike in floating rates is a result of banks increasing their base rates (see *Base Rates: Moving Up*). As per recent Reserve Bank of India guidelines, banks are not allowed to lend below their base rates to new customers. Since the beginning of 2010, RBI has increased its repo rate, the rate at which it lends to banks, by 200 basis points. "Any increase in base rates warrants an increase in



lending rates," says I.C. Agasti, Chief General Manager, IDBI Bank. Generally, floating rates are 1.0 to 1.5 per cent higher than the base rate. ICICI Bank has pegged its base rate at 8.75 per cent and charges around 9.75 per cent for a ₹30-lakh loan for 15 years.

Base Rates: Moving Up

Bank Type	Sep '10 (%)	Feb '11 (%)
Public Sector	7.50-8.25	8.00-9.50
Private Sector	7.00-8.75	7.75-9.50
Foreign	5.50-9.00	6.25-9.25

Floating interest rates are as on March 1, 2011 for a loan amount of ₹30 lakh and a tenure of 15 years

Sources: Apnaloan.com, RBI, bank websites

Impact On Your EMI

So, how much more do you have to shell out? "Floating rates which were quoting at 8.5 per cent as recently as August 2010, are now at 10 to 10.25 per cent," says Anil Kothuri, head, retail finance, Edelweiss Capital. At this rate, the EMI per lakh on a 25-year loan will be ₹926 as compared to ₹805 in August. Younger borrowers can escape the extra financial burden by increasing the tenure of their loans but if you are someone nearing retirement, get ready to live with a higher EMI. The other option is to consider prepaying the loan. You will have a definite advantage if you have borrowed from a housing finance company regulated by the National Housing Bank. The NHB recently scrapped prepayment charges for borrowers repaying from their own funds. "This doesn't hold for banks as they are governed by RBI," says Kothuri. Most banks do not charge a fee for part prepayment of a home loan. But on foreclosure, banks such as ICICI levy a two per cent charge on the outstanding amount plus the amount prepaid in the last one year.

"It is always better to prepay your loan. A two per cent penalty is better than paying a 10 per cent interest," says Gaurav Mashruwala, a financial planner. A switch to a fixed-rate loan is not advised. This will mean an extra two per cent interest and a conversion fee of about 1.5 to 2.0 per cent on the outstanding amount.

Floating Vs Fixed Rates

There are just a handful of banks that offer fixed rate loans for a period of more than three to five years. The few which do, generally charge very high rates. Axis Bank offers a fixed loan at 14 per cent that is 400 basis points above its floating rate. "Currently, your options are limited since banks are mainly offering floating rate loans or teaser rates," says Agasti. Teaser rates that let the borrower pay a fixed rate for the first few years, generally three or five, have been a bone of contention. After the RBI expressed concern that these could lead to greater defaults, some key banks have tweaked the conditions for such loans. The country's largest lender, State Bank of India, raised its base rate to 8.25 per cent. The bank's effective rate for loans up to ₹30 lakh is a card rate of 1.5 per cent above the base rate. However, the bank offers a discount of one per cent in the first year and 0.25 per cent in the second and the third years. For higher loan amounts, the effective card rate goes up. Earlier, SBI offered eight per cent in the first year and 8.5 per cent in the two subsequent years.

Some banks and housing finance companies that offer fixed rates limit the fixed period to three to five years. IDBI bank offers a fixed-rate loan for three years at 11.75 per cent and for five years at 12.25 per cent, with a reset clause. "A floating rate loan is always recommended for a period of 10 years and above, since the borrower will see one interest rate cycle in this period," says Mashruwala. Also, the prepayment penalty is lower in a floating rate loan and it is easier to move from a floating rate loan to a fixed one since there is no lock-in. According to Agasti, the April to June period is usually slack for credit demand, making hardening of rates less likely.

But Kothuri cautions that rates may not have peaked yet, and could go up in the short term.

Whatever the loan rate, the best trick in the trade is still to get a good bargain in a competitive market before finalising your loan. Even an interest discount of 0.3 per cent will save you ₹100,000 over a period of 20 years. It is certainly worth the effort. ◆

"Currently your options are limited since all banks are mainly **offering floating rate loans or teaser rates"**

I.C. AGASTI, Chief General Manager, IDBI Bank

Courtesy: *Money Today*

LAST BUT NOT LEAST

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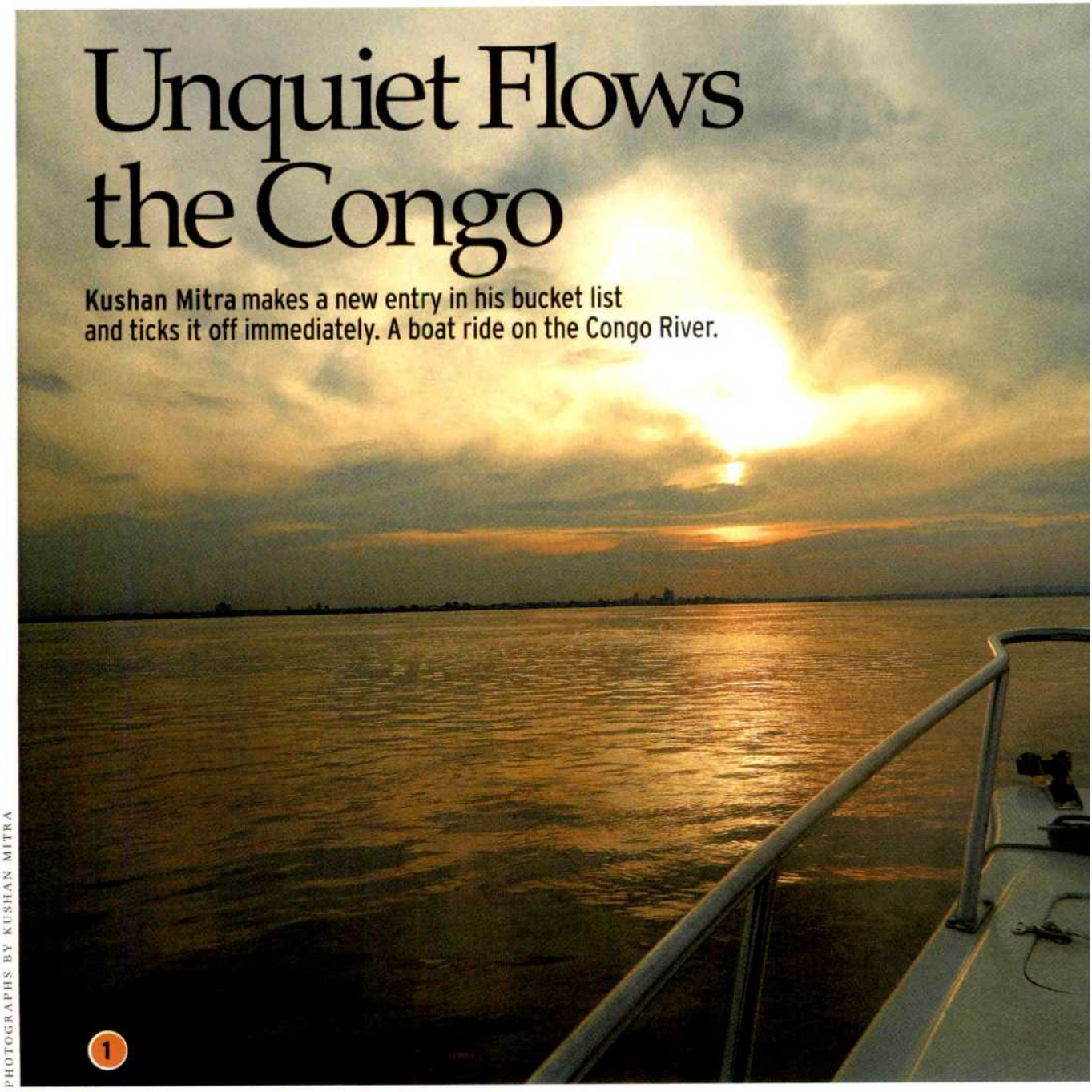
Unquiet Flows the Congo

Kushan Mitra makes a new entry in his bucket list and ticks it off immediately. A boat ride on the Congo River.



PHOTOGRAPHS BY KUSHAN MITRA

1. The sun sets over Kinshasa

2. The river is used to transport everything, even boats

3. The Kinshasa-Brazaville ferries are filled to the brim with people, animals and smuggled produce

4. A man fishing by the Kinshasa Yatch Club Marina

The sight of the flowing Congo calls to mind Joseph Conrad's 1899 novella, *Heart of Darkness*. Based on his personal experience as the captain of a river boat on the Congo, Conrad uses a fictional narrator to describe a journey up the river in accurate detail, offering simultaneously a strong critique of colonialism, though from a Western point of view.

In Conrad's time, the country was a Belgian colony. It is now the Democratic Republic of Congo, or DR Congo. The river itself, 4,700-km long, is among the world's few unspoilt ones. But like much of Africa, it remains something you mostly only read about in books or see on the National Geographic or Discovery channels. Few people come visiting. Though peace has been established after years of civil war, Kinshasa, the country's capital, still remains a no-no on the travel advisories of many countries.

Still, the experience of a boat ride on the Congo is something one can proudly recount afterwards. The sight is spectacular as the boat leaves the dock at Kinshasa, trying to weave through a gaggle of hollowed-out ferries that look as if they hail from Conrad's era. DR Congo is still incredibly poor. The roads leading to the dock are filled with women selling cassava, corn flour and fish. And a surefire way of getting them agitated is by trying to take a picture. Unlike the denizens of Mumbai's Dharavi, Kinshasa citizens do not appreciate poverty tourism.

On the other bank of the Congo is Brazzaville, capital of a neighbouring country, the Republic of Congo, which used to be a French colony. The ferries plying between the two capitals – closest capitals in the world, barring Rome and the Vatican – are filled to brim with humans, animals and smuggled produce, making the half-hour journey risky and memorable.

Heading upstream, as one enters Pool Malebo, a lake-like formation where the Congo expands to 23 km, one of the widest in the world, one realises the river is the main artery of the country. Everything, from food and drink – the local brews, Tembo in particular, are excellent – to trucks and boats are transported via the Congo, whose basin covers the entire country. The immense width makes the river, the world's second-largest in terms of water discharged, seem like an inland sea.

The country and the river offer immense opportunities. There are estimates that the Congo has the potential to generate a good 13 per cent of the world's hydro electric power, enough to power all of sub-Saharan Africa, and work has started on some projects. The people settled on the banks, poor as they are, look hard-working and proud, trying to pull themselves out of a situation that has been foisted upon them. The average life expectancy in DR Congo is only 46.

Earlier known as Zaire, when it was ruled by the dictator Mobutu Sese Seko, the country was renamed as DR Congo after Mobutu was forced to flee in 1997. Under the democratically elected current President Joseph Kabila, it is trying to enforce some sort of order after years of bloodshed.

The setting sun over Kinshasa paints a beautiful picture, wiping out the abject poverty and despair for the time being, with promises of a better tomorrow. And, in that light of the dusk, suddenly things do not look so hopeless anymore. ◆

Big Brother Mindset

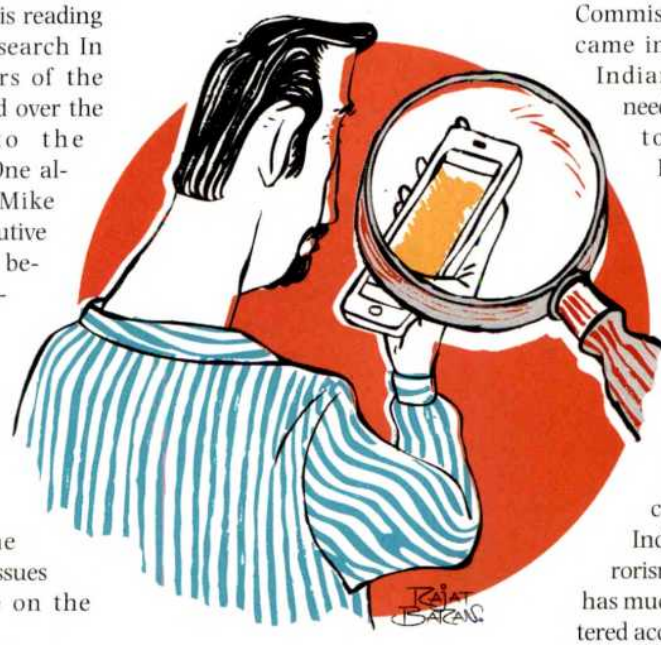
The Indian government is determined to snoop on your emails. Why?

It is surprising to see almost no noise being made about the home ministry's urge to snoop through all our emails. Particularly, emails sent to one's phone. My question is: why does the Government of India want to read my email? And why aren't more people asking questions about it?

I wonder if the cute college couple in the new BlackBerry advertisement knows that some snoop sitting in the bowels of an incongruous block of buildings somewhere in the National Capital Region is reading their chats because Research In Motion, or RIM, makers of the BlackBerry, have handed over the encryption keys to the Government of India. One almost feels sorry for Mike Lazaradis, co-Chief Executive Officer of RIM. It is not because of the modest reviews scored by the BlackBerry Playbook, but because of the headaches the man has had due to India. The video of his interview to BBC's Rory Cellan-Jones, where he walks out because these issues were raised, is a rage on the Internet right now.

Back to my grouse. I do not understand why the government wants to snoop on the Blackberry Enterprise Server, or BES, emails. I really doubt that the Lashkar-e-Taiba or any other terrorist group would have enterprise email. And I do not think that Ajmal Kasab was checking email on his smartphone in between volleys of gunfire at the Chhattrapati Shivaji Terminus.

We all know the Government of India leaks like a sieve. The Radia tapes are a case in point. Private conversations were leaked to all and sundry — and while some of those conversations might have made some members of the fourth estate appear to be nothing more than two-penny corporate shills — the fact remains that they were leaked by someone in the government. And while many of us, particularly in the media fraternity, have had our fair share of voyeuristic pleasure from



listening to those tapes, the fact remains that they were leaked before they were placed in a court as evidence. How will you feel if the government leaked all your conversations and emails?

The worry is not about the government getting access to the BES for *Business Today* and reading our newslists, and leaking them to our rivals — though one should not rule that possibility out completely. But what if your company is discussing a multi-million-dollar deal confidentially over an email and the next day a rival pips you to the post? Or the news is emblazoned across the front page of a newspaper, thanks to a friendly snoop somewhere in the chain?

True, according to laws in the US and Europe, companies have to submit corporate emails to regulators such as the Securities and Exchange Commission, and if certain laws came into place in India, listed Indian companies would be needed to turn over their emails to the Securities and Exchange Board of India, or SEBI. But even when the law comes in force, companies will not be required to disclose the emails immediately after sending them.

There is no doubt that emails and the Internet can be used as an instrument for communication by terrorists and that India has been a victim of terrorism for years. But the country has much more to gain from unfettered access than having thousands of people snoop through citizens' chats and email. Unless this is a gigantic job scheme to employ thousands of youth, it makes no sense whatsoever. After all the talk we hear about how India is superior to China because "we are a democracy", our government takes a page out of the neighbour's handbook and makes it worse.

Let the Internet be free and leave my emails alone. ◆

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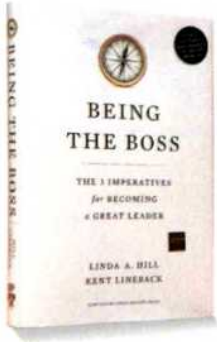
Powerlessness Is as Corrupting as Power

Executives must learn early how to handle power, Linda Hill tells Somnath Dasgupta



Being the Boss: The Three Imperatives for Becoming a Great Leader
By Linda A. Hill and Kent Lineback
Harvard Business Review Press
Pages: 284
Price: ₹695

Linda A. Hill, Professor of Business Administration at Harvard Business School, is known to generations of 'high potentials' as she calls them. She chairs the HBS leadership initiative and also the High Potentials Leadership Programme. After she wrote *Becoming a Manager*, she thought of putting her experience to work again, this time for leaders. Hill was recently in India to study some companies and also launch her book. She spoke at length on her book and experiences. Edited excerpts:

How did you get into this leadership business? You studied educational psychology...

When I was in graduate school, I was looking at creativity and what kind of organisations produce the most creative people. I am still studying that. But I was just as surprised as you – I actually thought I would be a professor probably at a public health school. I ended up deciding that, being in business, I could perhaps have more impact. Because I am motivated by how do you improve the lives and livelihoods of people around the world. I think I kind of discovered that when I did my post-doc in business at Harvard, and began to look at how do you have impact, how do you have influence... You can do it by going into the non-profit sector, which is what I had assumed I would do. But then the other way to do it is to go right into business.

Are you talking only of the CEO level?

I actually wrote *Being the Boss* based on my experiences of working with more experienced managers.... Part of the reason why I wrote *Being the Boss* was so many experienced managers read *Becoming a Manager*.

Recently I got a call from a person who had just found out that he was not going to become the CEO of a Fortune 500 company. Basically the reason he was derailed is because he has never been able to build really strong and trusting relationships with peers. And nowadays, because of global business, companies have to reach out and do integrated business, they [his company] became concerned about that. Well, that problem is a problem he has had all along. So when people derail because of the personal issues, the people issues, they were often the same problems they had early on, that were never addressed. It's not that you need to write a different book about that.... The book is not for CEOs.

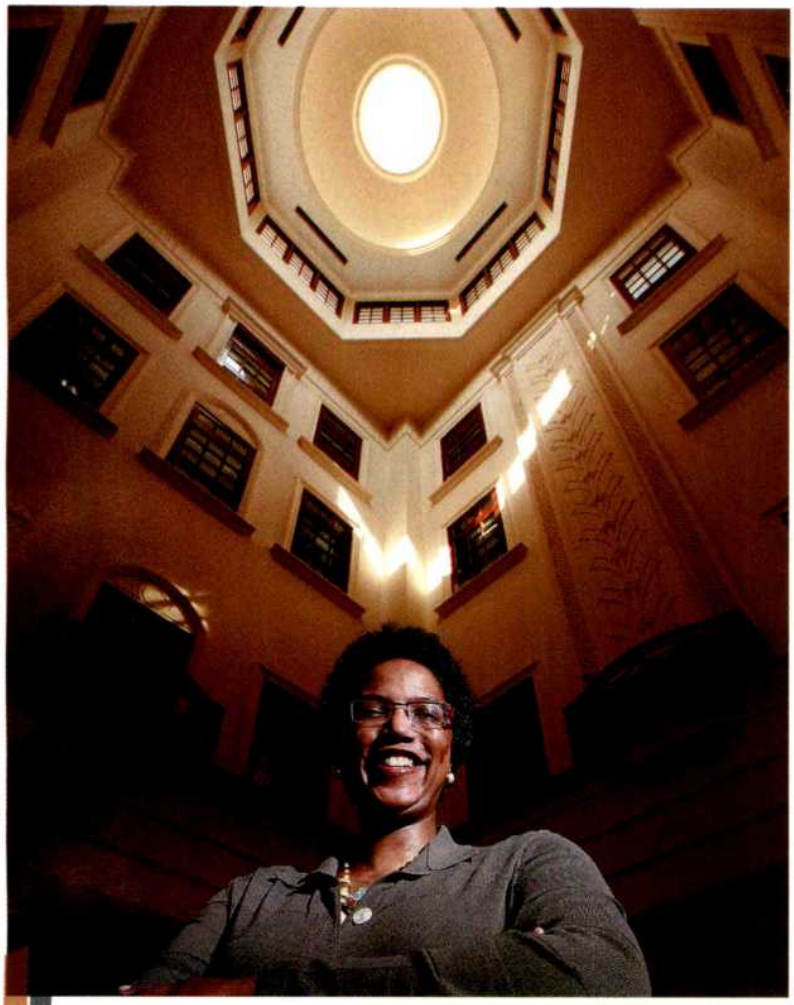
About *Being the Boss*, what are the three imperatives??

A number of senior people were reading *Becoming a Manager*. One of the people who did that was my co-author, Kent, who was an executive, he came to me and said, you know I find your writing very clear. We decided to write a book together. I said, you are an executive, I am an academic, let's write a book together that will be really useful for people like yourself.

And so we sat down to write that, and decided to make it very practical. A lot of times these books on leadership have long lists of leadership competencies. We wanted ours to be as parsimonious as possible.

And the order is very deliberate. The first one is managing yourself, because you are using yourself as an instrument to get things done. The second one is about managing your network. And that's because unless you create the conditions necessary for your team to be effective, no way are you

The first is about managing yourself... The team is at the bottom, which is the opposite of what most people think.



SHEKHAR GHOSH

> "We learn that, many times it is not that people don't have values... they just don't know how to exercise those values"
>
> Linda Hill, professor, Harvard Business School

going to be effective. So you've got to manage relationships with bosses and peers because if you don't do that right, you don't set the right expectations for your team.

Number three is finally managing your team, the group over which you have formal authority.

The team is at the bottom, which is the opposite of what most people think. And frankly, the problem is if you don't think that way, you are not going to be very effective as a leader any way. Because if you keep relying on formal authority, even in cultures where formal authority matters, it doesn't get you anywhere.

You need people who are deeply engaged in the work, who are willing to share their ideas with you. They will only do that if they deeply respect you.

From 2008, there is a huge disillusionment with leaders in general...

I try to develop leaders who come into my life. I actually think – and I am not naïve about this – but I think most business people are very well-intended and not as greedy as we actually think. I am serious.

We used to teach a power and influence course at Harvard, which many people think [is about] how do you get power etc. Part of the reason I wrote *Being the Boss*, seriously, is because I believe powerlessness is as corrupting as power. And people are often corrupted because they think they are powerless.... So if you can actually help people feel more powerful and understand how they can be powerful, they are much more likely to behave in ways that you and I will be happy about.

And one of the things that I have tried to do in my work is to help people understand how they can have impact and power very early on in their careers. I don't think that they are not well-intentioned, but I think they don't know how to exercise influence.

When you talk to people about why they behaved unethically, they will tell you it was the system, that they were part of the system where they had no choice but to behave in a particular way. And unless you tell people that they do have choices and this is how you exercise them, then I think that systems do lead people to behave in ways that are varied, and people are shocked!

We learn that, many times it is not that people don't have values... they just don't know how to exercise those values. Sometimes you exercise those values, and you have to make a sacrifice, right? That happens, that's life!

So I mean, I understand what happened in 2008, was it just greed? I think it's a more complex story than that. But I also think that sometimes, we inadvertently send the wrong signals to people about what we really care for. ◆

Listen to Your Heart

Cardiac ailments are rising among executives and should not be taken lightly

Seventy-hour weeks, poor diet and stress-filled days with little time to work out, are leading to a spike in cardiac ailments among Indians. The cardiac arrest-related deaths of top corporates such as SAP's India head Ranjan Das, Reliance Industries' R. Ravimohan and, in early April, Future Retail's Raghu Pillai, are worrying examples of this growing problem. Even when obvious symptoms such as chest pain, tingling in the left arm and breathlessness arise, hard-charging executives tend to ignore or downplay them — at their own peril. In fact, multiple estimates reckon that by 2020, cardiovascular diseases will be the single largest cause of death and disability in India. If you are a high-flier and one step from becoming the CEO, if you have passed your 45th birthday and don't get your heart rate up for 20 minutes every day, you want to read on.

Dr Amar Singhal, Senior Consultant, Cardiology, Sri Balaji Action Medical Institute, Delhi, receives at least two or three walk-ins from the corporate sector every day with symptoms of a serious cardiac ailment. His youngest patient was a 22-year -old executive who came in with crippling chest pain (he was a chain smoker) and after some routine tests was discovered to have a 100 per cent blockage of some cardiac arteries — requiring emergency surgery to fix. "Executives eat foods full of saturated fats, they eat at irregular hours and seem to have no greens, fresh fruit or vegetables in their diet," he says. Dr Singhal recommends a drastic change in diet, increased consumption of fluids (fresh fruit juices rather than Coke) and regular meals — as much as possible. "Come in early if you have some obvious symptoms," he warns. "Don't wait to be wheeled in on a stretcher."

There are, no doubt, factors other than poor lifestyle choices that can cause heart problems: high cholesterol, escalating hypertension among people as young as 21 and a family history of heart ailments. According to estimates in a paper by the Indian Academy of Sciences, India already has over 40.9 million people with diabetes and 118 million with hypertension or high blood pressure, which could increase to 69.9 million and 213 million by 2025. According to Dr Singhal, an electrocardiogram reading is usually enough to detect obvious heart problems, but more complex scans could also be required.

RAJAT BARAN

SILENT KILLER

1. Indians are genetically more prone to heart ailments
2. Smoking, poor diet and high stress levels are the biggest causes of heart disease
3. Busy executives don't heed warning signs such as rising cholesterol or blood pressure levels
4. Insufficient sleep is quickly becoming a major contributing factor to rising cardiac ailments
5. A dietary overhaul, especially the elimination of fat-rich fried foods helps, but regular balanced meals are the key

"A routine medical exam should be mandatory in organisations," he says. While many companies do offer them to employees, they do not take the results seriously, he adds. Warning signs such as an increase in cholesterol or a rise in blood pressure are often ignored, with people having little time to change their schedules to fix their health. Consider the example of a 30-year-old fast-rising IT manager in Bangalore who blamed the city's traffic and pollution for frequent bouts of breathlessness, despite having dangerously high levels of cholesterol and a junk food-rich diet. Only the classic symptoms of a full-blown heart attack forced the executive to reconsider his plans.

Besides these factors, there are emerging trends that are increasing the incidence of heart disease in India. Stress and the related problem of sleep debt (eight hours of shut-eye is ideal) are only complicating matters. In the case of SAP's Das, for example, an active lifestyle and controlled diet wasn't enough to compensate for the crushing pressure of 70-hour working weeks with little sleep. "People need to pick their battles," says Dr Singhal. "You can't let your work kill you." ◆

The Chosen Emigrant

Global companies are targeting Indians, says Rahul Sachitanand

A host of companies across the world is eyeing Indian employees. More and more of them, especially multinationals resuming expansion plans that had been put on hold during the economic slowdown of 2008/09, are looking to hire Indians and post them across continents.

"Indians are perceived as ready to adapt to different cultures, diligent, and increasingly open to relocating," says Kamal Karanth, Managing Director of the Indian arm of global recruiting agency Kelly Services. "IT jobs are the most transferable, but other sectors like engineering, medicine and pharmaceuticals across the world also want to employ Indians."

In the last three decades of the 20th century, Indian blue-collar workers were aggressively wooed by the sparsely populated Gulf countries to perform primarily menial jobs. But now there is also growing demand for Indian white collar workers — and not just in the Persian Gulf. Many countries with ageing population or short of trained people in certain sectors are only too willing to bring in qualified Indians.

Australia, for instance, needs 35,000 mining engineers, and has lately employed a number of Indians with this specific skill. Facing a shortage of doctors, Singapore recently decided to recognise medical degrees from two Indians institutes, including the All India Institute of Medical Sciences. "In countries that are short of manpower for specific skills, companies are looking to recruit from overseas, and Indians often fit the requirements best," says Karanth.

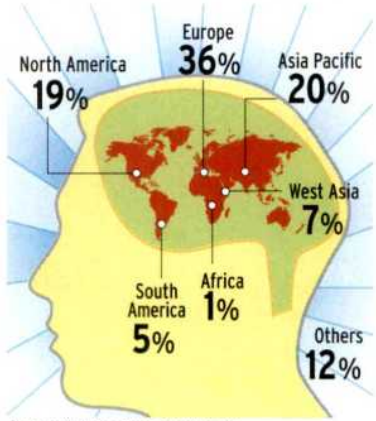
And Indians too are showing a greater willingness to relocate than before. Around 90 per cent of Indians who responded to a Kelly Services survey on job opportunities and migration said they would be willing to move overseas if a better job or higher salary was offered. "We found many of our Indian employees keen to get multi-country exposure," says Sukhjit S. Pasricha, Director, HR, Airtel Africa. "We already have around 80 Indians working in different African countries in mid to senior leadership roles." (Bharti Airtel entered Africa in June 2010 when it bought over the Africa operations of Kuwait-based Zain Telecom.)

Hurdles, however, remain. Immigration departments in many countries are still very stingy with employment visas. But an intra-company transfer — in which a person joins the Indian branch of a multinational and subsequently gets posted overseas — reduces visa hurdles considerably.

Other obstacles include visa stipulations in certain countries that prevent the spouse of the person relocating from taking up employment there. But companies often compensate. "A relocation reimbursement is standard, but some companies may increase compensation to make up for the restrictive visa norms," says Karanth. "There are increasing opportunities now for Indians to perform on the world stage." ◆

Aiming to Go Places

The most desirable destinations for globetrotting Indians are



SANTOSH

Source: Kelly Services annual survey

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Team Leader/ Technical Leader
Location: Mumbai
Job ID: 9600652
Description: Responsible for defining technical specifications for specific engagements. Design and architecture using Xcode in case of iPhone.Handling the entire SDLC.

Logica Private Limited
Service Provision Managers
Location: Chennai
Job ID: 9426080
Description: He must have experie Service Provision Role, high-level of interaction; Having managed deli independently (end-to-end) without holding and supervision.

Onward Technologies Limited / Onward Group
Project Manager
Location: Mumbai
Job ID: 9379905
Description: Project in Brief - A unique R&D oriented medical software development project in the area of medical imaging targeted to be used by Doctors/Scientists working in research environment.

Capgemini Business Services (India)
Training Manager
Location: Gurgaon
Job ID: 9453262
Description: Responsibilities: De develops, implements and maintains training program to help ensure comp with all policies and procedures.

Nalco
Assistant Manager-Human Resources
Location: Pune
Job ID: 9464343
Description: Role:Supporting the Hiring team in salary fixation as per compensation guidelines and framework. Work closely with regional compensation & benefit (C&B) team and Local HR leader.

SKF India Limited
Master Black Belt
Location: Pune
Job ID: 9237367
Description: Candidate must have mir 10 yrs of experience in Company/I Must have Engineering background manufacturing experience.

Seventh Sense Technologies (P) Ltd
HR Manager
Location: Chennai
Job ID: 9548371
Description: 12 years of relevant experience in HR, minimum 5 years in IT industry.MBA (HR) with knowledge of PCMM, ISO.

Oracle
Sales Director - Exalogic
Location: Gurgaon, Mumbai
Job ID: 9594569
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Description: RESPONSIBILITIES: Be a part of Offshore team working on Datawarehouse and other database applications; Involve in development and unit testing.

Cognizant Technology Solutions India Private Limited
Software Engineer/ Programmer
Location: Mumbai
Job ID: 8380863
Description: Looking for candidates having relkevant work experience in pega and Team lead experience will be preferred.

Virtusa Software Services Pvt Ltd
Software Engineer/ Programmer
Location: Chennai
Job ID: 9590489
Description: Any Engineering graduate or hold a relevant Bachelor Degree having relevant work experience in C/C++ and UNIX.

Alliance Global Services
Associate Architect / Architect - Java with Scripting Language
Location: Hyderabad
Job ID: 9597969
Description: The job involves designing and developing enterprise and custom solutions as part of a software development process supported by good database skills.

CIBER INC
SAP FICO Professionals
Location: Bangalore
Job ID: 9499317
Description: CA or MBA with expertise in SAP-FICO and knowledge of GL Accounting, Accounts receivable and payable.

ABB Limited
Software Engineer(C#)
Location: Bangalore
Job ID: 8381603
Description: Person must have Experience in design and Develop .NET(C#) solutions for Windows/Desktop Applications.

SIEMENS
SD/SSD/PL/Architect
Location: Bangalore
Job ID: 9415833
Description: Aspirant must be well conversed with Microsoft Technologies C# and .Net framework User interface programming for Windows .Knowledge in Requirement Engineering.

Hewitt Associates
IND Technical Lead
Location: Delhi, Gurgaon
Job ID: 9594710
Description: The Technical Lead role is responsible for performing strategic, tactical, and operational analysis of a system and leads the development of the high-level design (HLD) for larger system solutions and/or enhancement projects.

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Manager - Sales BMS/IBMS
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Job ID: 8732041
Description: In charge for the sales & Marketing of the BMS solutions business in the assigned region• Development and growth of customer base / Market share• Enhance the brand SCHNEIDER (TAC) in the market

Newgen Software Technologies Limite
Business Analyst
Location: Mumbai
Job ID: 9597719
Description: The incumbent will responsible for post-sales Engager Management with the clients along with role of Business & Systems Analyst.

Karvy Stock Broking Limited
Relationship Officer
Location: Coimbatore
Job ID: 9600399
Description: Responsibilities: To generate new business by Selling Various Insurance Products .

India Mart
Marketing Executive
Location: Chennai, Coimbatore
Job ID: 9600510
Description: Duties:To Develop new cli for various web based business solu offered by IndiaMART.com. Consultan exporters & manufacturers for bus facilitation.

Photon Infotech Private Limited
Sr.Business Development Executive
Location: Chennai
Job ID: 9499876
Description: Role:Identifying, generating new business opportunities, clients for the range of Services with respect to IT industry.

Murugappa Group
Area Sales Manager - CDSL
Location: Delhi, Vijayawada
Job ID: 9533397
Description: To lead the team of Leaders & Sales Executives and ensur Execution of Sales activities and delive Business targets agreed Work Closely wi VF team to Penetrate into their Custome for MI renewal and Cross sell.

Infotech Enterprises Limited
Senior Marketing Manager – Aerospace
Location: Hyderabad
Job ID: 9562107
Description: Senior Marketing Manager – Aerospace - 8 to 12 years work-ex in the Outsourcing Industry preferred.

Moolchand Medcity
Sales Executive
Location: Delhi
Job ID: 9531662
Description: Make a master list of prosp clients, Daily sales visits. Provide serv terms of fulfilling all the requiremen documentation, informing about new fac price changes, special camps.

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Newell Rubbermaid Inc.
Finance Manager - India
Location: India
Job ID: 9582074
Description: Duties:Month end closing of books of accounts; Accounts payable & receivables management; General ledger review, Balance sheet review, MIS reporting etc.

Juniper Networks Inc.
Total Rewards Specialist
Location: Bangalore
Job ID: 9440720
Description: Activities to develop, implement and administer broad based total rewards policies and programs. Program manager for variety of total rewards programs. Participates in compensation & benefits surveys to collect and analyze competitive compensation.

UnitedHealth Group
Sr Financial Analyst
Location: Hyderabad
Job ID: 9570902
Description: Responsibilities include: Oversee the SG&A budgeting, forecasting and analysis process for UHC business units.

Nous Infosystems
Manager-Business Finance
Location: Bangalore
Job ID: 9583957
Description: Responsible for managing the profitability, involves working with the delivery, Sales & Domain teams to driving growth & profitability.

GlobeOp Financial Services
Chartered Accountant (CPA)
Location: Mumbai
Job ID: 9569569
Description: Duties: Portfolio Pricing - Sourcing the prices and performing market valuations. Determining the Net Asset Valuations on a daily basis for the fund. Resolving issues of the associates etc.

Cybage Software Pvt. Ltd.
Cost Accountant / ICWA
Location: Pune
Job ID: 8799986
Description: Task:Manage accounts of the company (includes AR, AP, Compliance); Lead the Central Accounting team; Finalization of accounts of the company; Forex Management etc.

CRY-Child Rights and You
Manager / Senior Manager - Finance
Location: Kolkata, Mumbai
Job ID: 9489621
Description: M.com with experience 7-10yrs and knowledge and operations of any Financial Accounting Package, prevailing Income Tax Laws & FCRA Act and Proficiency in MS Office applications.

Deloitte Touche Tohmatsu India Pvt Ltd
Taxation - Manager
Location: Kolkata
Job ID: 9594657
Description: Candidate must have experience in banking industry or money market instruments or have dealt with the capital markets (debt instruments) in the past.

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Kerrie Peraino
Senior VP, International Human Resources, American Express

Diversity Counts

Hub, club, home and roam are the four mantras that she helped initiate as part of 'Blue Work programme' that seeks to get the most out of people at American Express. **KERRIE PERAINO**, Senior Vice President, International Human Resources and Global Employee Relations with the financial giant, believes companies can add to their bottom lines by innovatively using the diversity of talent in their workforce. "By allowing people the flexibility to choose where they want to work and how, we save costs by cutting down on attrition. We also work more effectively by choosing the real estate footprint and, therefore, the cost and the kind of technology needed to maximise productivity," says Peraino. These are not empty words. American Express is awaiting a patent for its Diverse Marketplace Intelligence analytical system that lays down the steps for leaders to get the most out of their teams and make them come up with successful solutions. Need examples? The company recently used its employees of Hispanic and Indian origins to work with the marketing team for designing its hugely successful seasonal gifting cards targeted at ethnic communities.

SHAMNI PANDE

SAPTARSHI BISWAS/www.indiatodayimages.com

Betting Big on India

At 66, most executives would be ensconced at a secluded farmhouse enjoying the bliss of retired life, but not **SIMON F. COOPER.** The Hong Kong-based Managing Director for Asia-Pacific at Marriott International is presiding over the global hotel chain's bold decision to invest in India. It has just formed a joint venture with Samhi Hotels to launch its Fairfield brand here. Fairfield will be positioned above the Tata Group's no-frills Ginger brand. "There are people in India who will pay a little more for a hotel that offers that much more," says Cooper. Fairfield will join other Marriott brands like JW Marriott, Renaissance and Courtyard that are already in India. "We want to have 100 hotels here by 2015," says Cooper. "We are almost 60 per cent there when you count all the existing properties and those in the works." For Cooper, the new brand is a big gamble. And also a demonstration of his confidence in India.

SUMAN LAYAK

UMESH GOSWAMI

Man of Many Colors

After 25 years of handling some of the largest media brands in the country such as ESPNStar Sports, Star TV and NDTV, which he headed until March, 2010, **RAJ NAYAK**, 47, is now in the hot seat as the Chief Executive of Colors, the market-leading Hindi general entertainment channel from the Viacom18 stable. But to take up his new role, Nayak has had to walk away from AIDEM Ventures, the media consultancy firm he founded last year. "AIDEM is a professionally-managed company where very senior industry professionals are part of the management. They will definitely continue to strategise on what is the way forward," he said. "I am impressed with Colors and its progress within a short span of three years. It has changed the landscape of the Indian GEC space. Colors also has a team of talented people and my aim would be to continue to create newer benchmarks in the industry." Will he manage to keep Colors at the top of the entertainment pile? Watch the small screen.

ANUSHA SUBRAMANIAN

Raj Nayak
Chief Executive, Colors

SHEKHAR GHOSH/www.indiatodayimages.com

MONEY SHARMA/www.indiatodayimages.com

Sean Covey
Executive Vice President, Global Solutions and Partnerships, FranklinCovey

Work-life Balance Guru

SEAN COVEY learnt about effective management principles from his father, Stephen R. Covey, author of the international best-seller, *The 7 Habits of Highly Effective People*. Over the course of his three India visits, the younger Covey, Executive Vice President of consulting firm, FranklinCovey, has lectured one and all, from managers at Infosys Technologies to schoolchildren in Hyderabad. He praises Indian managers, saying: "I've noticed a sense of excitement about the future." At the same time, Indians work too hard, he says. Increasing prosperity should not come at the cost of family, he says, which is what happened in Japan 30 years ago. "They lost a lot and family took a big blow." Which Indian business leader would he like to sit down with? "Azim Premji," he replies.

ANIKA GUPTA

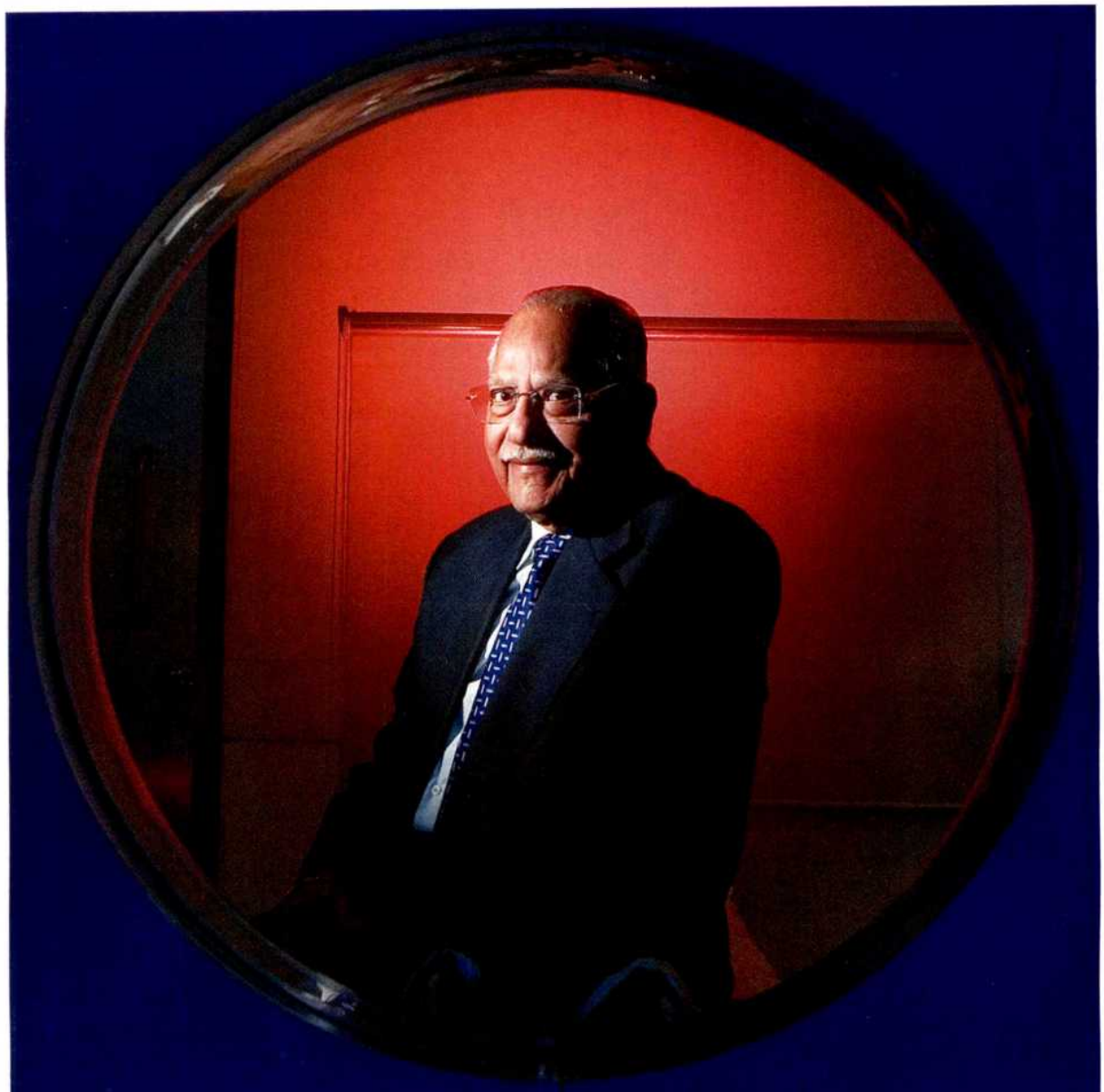
Offbeat Traveller

His best vacation to date was at an organic tea plantation run by a visionary farmer in Darjeeling. The place produced power from methane generated from cowdung. The experience might have scared off a fussier traveller, but **SCOTT DURCHSLAG** specialises in offbeat experiences. As the newly appointed president of Expedia Worldwide, he oversees the online travel retailer's burgeoning India business. "It took us several years to understand the Indian market," says Durchslag. The company plans to target young, sophisticated and net-savvy consumers, especially those travelling overseas. Durchslag's typical customers are "adventurous and independent" and those interested in off-track destinations. Example: the long, rugged Dalmatian coast in Croatia in east Europe. His goal is to make Expedia one of the top five travel sites in India. "We're investing a lot on publicity," he says. "We are playing a bit of catch-up, but it's an important strategic market for us and we want to be here." In fact, Durchslag, who lived in Mumbai for a year in 1993, is already planning a vacation in Kerala.

ANIKA GUPTA

Scott Durchslag
President, Expedia Worldwide

SAPTARSHI BISWAS



DR PRATHAP C. REDDY

Executive Chairman,
Apollo Hospitals Enterprise

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Rajiv Gandhi

The business leader I admire the most
Dr. Thomas Frist, Jr

The leadership lesson I remember the best
A leader's task is to get his people from where they are to where they have not been.

A book I would recommend on leadership
Bhagwad Gita

The difference between a manager and a leader
A leader is a visionary who takes the first step towards fulfilling a dream, has the ability to motivate and empower people to succeed.

All good managers are good leaders
Disagree

As told to N. Madhavan

SAPTARSHI BISWAS/www.indiatodayimages.com

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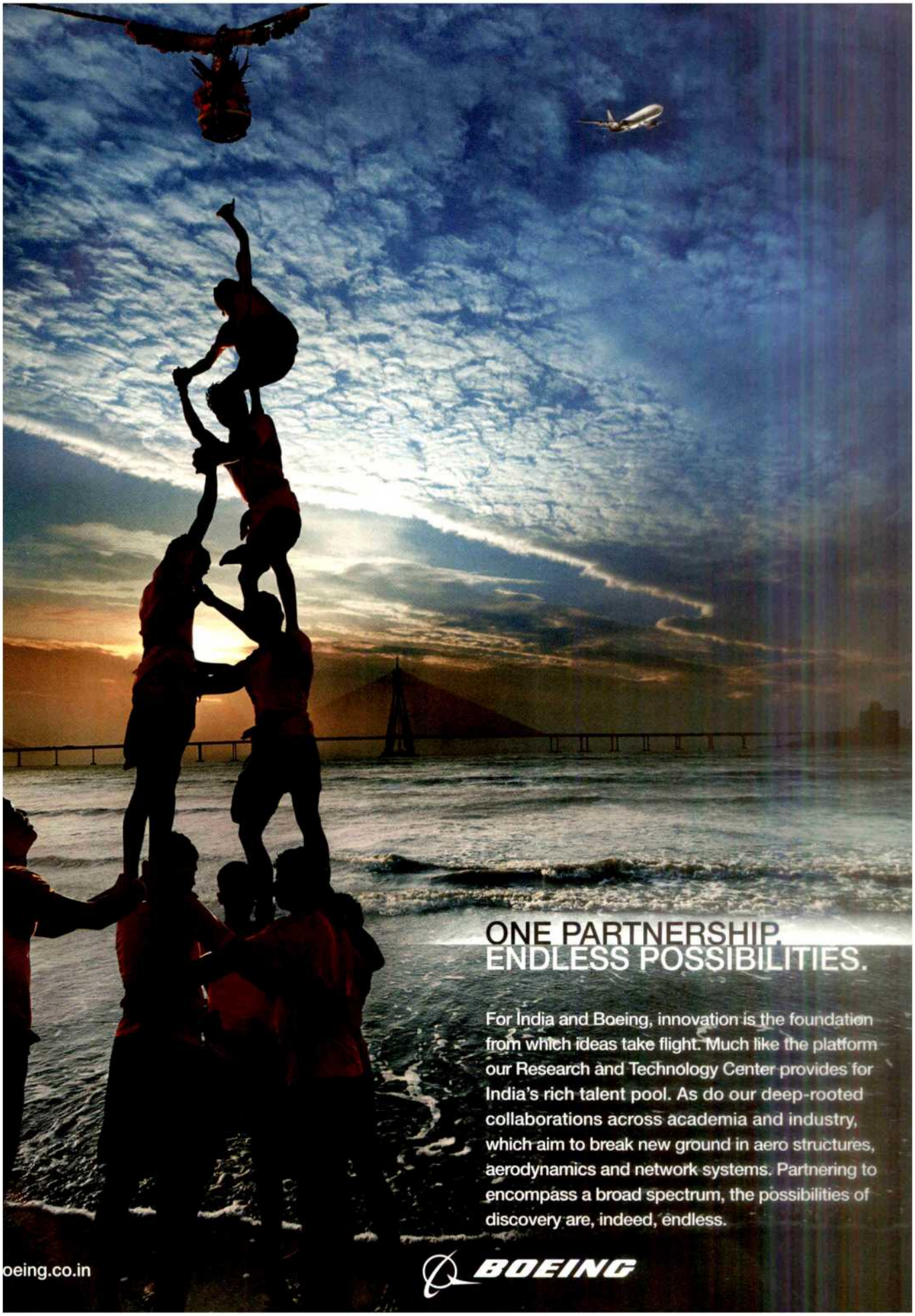
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INDIABULLS

Enigma

GURGAON

Privileged Residences

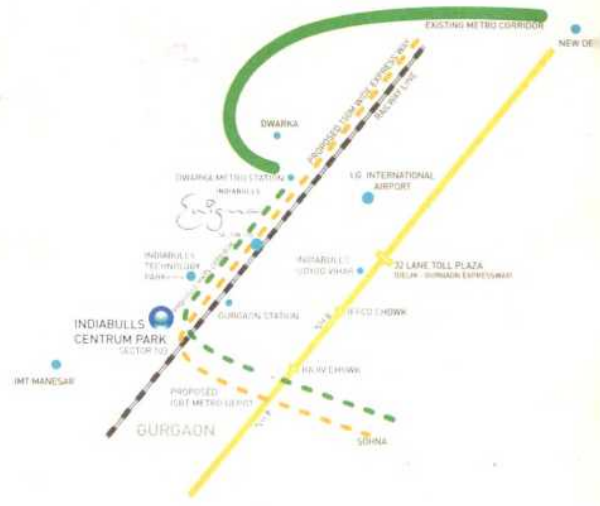
Sector 110

Apart from Delhi and Gurgaon, Indiabulls Real Estate has launche 31 projects spread over **58 million square feet** across Indi Consider this and it's easy to see why Indiabulls Real Estate is one the largest and the fastest growing real estate companies in Indi

Other Projects in Gurgaon

Indiabulls Centrum Park, Sector 103

Indiabulls Technology Park - IT SEZ, Sector 106



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From the Editor

In Greek mythology, the Minotaur was a creature with a and a man's body who dwelt at the centre of the Cretan labyrinth. Theseus killed the monster, but forgot to put u sail to signal his victory when he returned to Athens, and h father Aegeus committed suicide.

India's inflation fight is nearly as fraught: our finance m central bank governor must make sure it does not end up as edy. Pranab Mukherjee, who was attending the annual mee Asian Development Bank in Hanoi in early May, admitted th could knock half a percentage point off his growth projecti 2011/12. So our stock markets are stumbling, and profit m being squeezed by inflation and rising interest rates. You do word "overheating" much in India, but that is precisely wha ing. In this season of mangoes, the *aam admi* is getting clobl

The only consolation, if any, is that inflation is raging ac world, and especially in Asia – the Philippines, Bangladesh, Australia, Singapore, New Zealand, Vietnam, South Korea. But commodity prices finally seem to be pulling back from a bull run, the dollar may have started a slow climb from its r prices paused in their race skywards.

"Moderating growth". Now that is a phrase that US President Jimmy Carter's "inflation czar" Alfred Kahn would have loved. Kahn likened his title to oxymorons like "jumbo shrimp", "military intelligence" and "airline food".

But be of reasonable cheer. Economics is as much the bittersweet science of looking back at history as the delicious art of looking forward at the future. The day this magazine went to press, the ADB released a report titled "Asia 2050: Realising the Asian Century". It said Asia would account for 51 per cent of global GDP, regaining the dominant economic position it held 250 per capita income would rise six-fold; and three billion mor would become affluent by today's standards. China and Ind run the risk of falling into the "Middle Income Trap" due to of economic, political and social challenges. But first India inflation, and RBI Governor Duvvuri Subbarao is clearly nea end after raising interest rates nine times in 14 months. Rea Mehra's interview with him on page 28.

Although we at *Business Today* could say "we told you so remind you of our "India Slowing" cover (February 20), we incorrigibly optimistic. So Kushan Mitra, who travelled to A month, writes this cover story on a continent pregnant with Corporate India. "Your time to shine, don't wait in line" and in *Waka Waka*, the song immortalised by Shakira, could be a for Indian business. As Mitra notes, the size of the opportun is huge – 53 countries, over a billion people, and GDP project trillion by 2020. Africa is the moshpit where India and Chir off over resources, infrastructure and markets, and the drur out across the veldt is mesmerising. Read all about it startin

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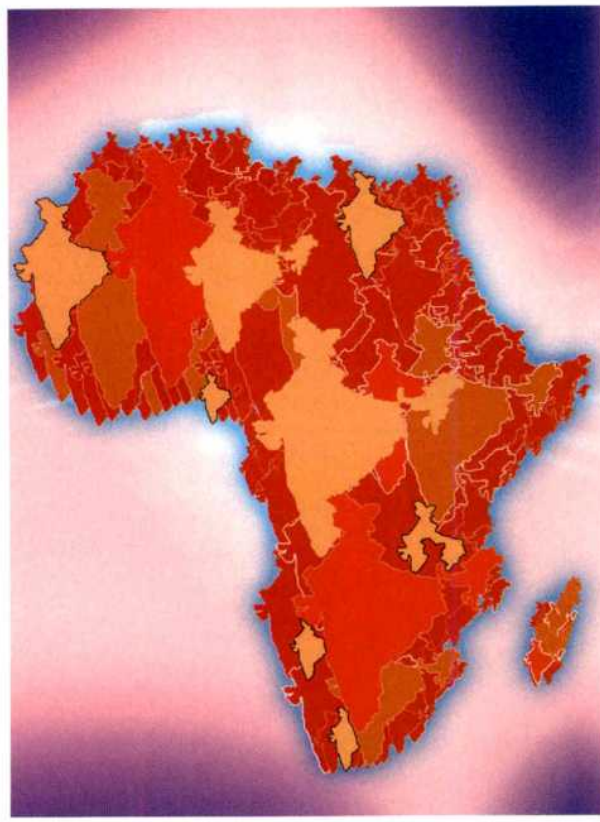

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Missing Yang

Your cover story, *India's Hottest Young Executives* (May 15), made for an interesting read. One couldn't agree more with what your introduction stated – that the country's demographic tilt favours youth. The photos were quite good and actually made each piece even more readable. I just wish you had one or two male panelists instead of a four-woman panel. Also, of the 22 managers that made it to your list, only three were women. One can only hope that more women make it to your list in the future.

Priya H., *Chennai*

Young Achievers

Swami Vivekananda once said: "Nothing can be achieved without some kind of sacrifice." It is a proven fact that hard work and dedication yield the best results and it is usually the young who have the strength of mind and the will to make sacrifices to achieve their goals. Really, our young generation is doing exceptionally well in all fields. In fact, they are doing even better than old people simply because of their ability to be daring in their thinking.

Mahesh Kapasi, *New Delhi*

Lokpal Bill Dilemma

Should a Prime Minister be covered by the Lokpal Bill? Well, in the present blackmail era of alliance politics, even notorious individuals, without naming any, can become PM. Therefore, it is absolutely necessary for a PM to be brought under the purview of the Bill, a view also favoured by current PM Manmohan Singh and his predecessor Atal Bihari Vajpayee. Also, in order to reduce the workload on the institution of the Lokpal, there should be simultaneous work on three other bills, namely Electoral Reforms, Judicial Accountability and Grievance Redress.

Subhash Chandra Agrawal, *New Delhi*

It is a proven fact that hard work and dedication yields the best results and it is usually the young who have the strength of mind and the will to be able to make sacrifices to achieve their goals

Money for All

The money that will be pouring into cricket, thanks to India's recent World Cup triumph, comes from the people (refer to *Big Win, Bigger Money*, May 1). So, at least a part of it should be used for their welfare. That would give everyone involved sustained joy and happiness.

Jacob Sahayam, *Thiruvananthapuram*

www.businesstoday.in@coverstory: *India's Hottest Young Executives* (May 15) is the seventh *Business Today* listing of the country's finest managers under 40

www.businesstoday.in@coverstory: *Are We Disaster Ready* (May 1) on how well Indian companies are prepared to face natural and man-made disasters

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Age is on their side, they are successful, they make things happen. The seventh *Business Today* listing of the country's finest managers under 40.

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New Toppings

Having conquered the pizza market, Domino's Indian franchise, Jubilant FoodWorks, is set to bring consumers a fresh array of tasty bites.

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Masters of Illusion

Earlier, Indian visual effects' studios catered mainly to Hollywood and ad film makers. No more. Led by Rajinikanth's *Ethiran* and now, Shah Rukh Khan's *Ra.One*, more and more Indian films are turning to the computer for their effects.

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Leader by Instinct

The Indian skipper likes to keep things simple, relying on instinct and self-belief to bring home the laurels.

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Non-performers

Seven economic ministries changed hands during the Cabinet reshuffle in January. *Business Today* takes a close look at what the new incumbents in these ministries have done in their first 100 days in office.

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Slipped Disk

Moser Baer, once the second-largest global manufacturer of optical disks, is now betting heavily on solar power plants.

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Opportunity doesn't always arrive gift wrapped.

Some thoughts on unlocking potential in today's environment: 1. Innovation is essential, especially if it's disciplined and focused on business outcomes; 2. Out-thinking the competition is useless unless you can out-execute them as well; and 3. This is no time for trial and error; winners get it right the first time. Talk to us to see how we can help you turn potential into tangible performance.

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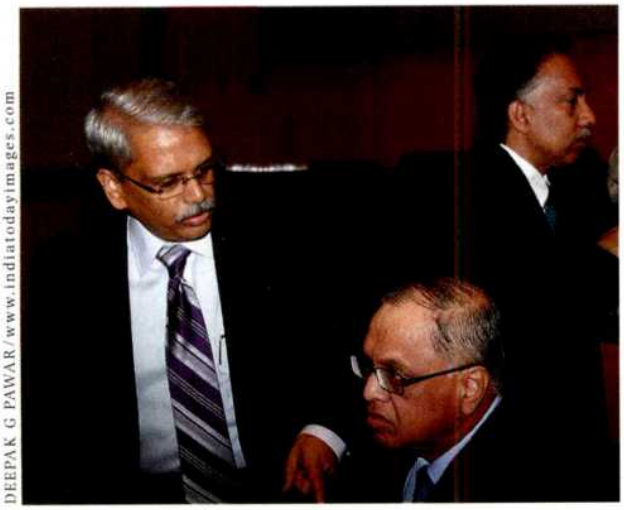

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Infy, Limited: Infosys got a new chairman in K.V. Kamath (not in picture) but its three remaining founders – Kris Gopalakrishnan (left), N.R. Narayana Murthy (centre), and S.D. Shibulal – stay on at its helm. See Pg 36

Corporate

Steel giant Posco has received a nod from the environment and forest ministry for its ₹54,000 crore project in Orissa. After six years, that must be some relief for the Koreans. Environment minister Jairam Ramesh has said implementing Forest Rights Act was the responsibility of the state government but local opposition seems scuttled for now.

It's Oz Ahoy for Gautam Adani for the second time in a year. The Adani Group will pay $2 billion for a 99-year lease on Australia's Abbot Point Coal Terminal. Adani had snapped up coal assets of Linc Energy from Down Under for $2.8 billion August last year.

PricewaterhouseCoopers affiliates have agreed to pay $25.5 million to Satyam Computer investors settling litigation over the audit of the scandal-scarred firm.

Nokia's India connection is hitting headlines again. The Finnish handset company has decided to axe 300 jobs in India, and transfer about 700 engineers at its Bangalore R&D facility to Accenture. All this is part of a plan to save R&D costs by 1 billion euros annually. With Apple overtaking it as the world's largest phone vendor in January-March, and Taiwanese smartphone maker HTC surpassing it in market capitalisation, Nokia can only be hurting.

Ranbaxy, the biggest drugmaker in India, may end up paying a hefty fine of $1 billion for a settlement with the US Food and Drug Administration. The Daiichi Sankyo-controlled company has not confirmed the settlement but, if true, it can only be good news for the beleaguered drugmaker.

It's a cut-throat telecom market out there, and the scars are showing. India's biggest mobile operator, Bharti Airtel has reported a 31 per cent drop in fourth-quarter profits, its fifth straight drop in quarterly profits. Rise in interest costs (₹680 crore) and loss from African operations (₹416 crore) were the big heads that hurt.

Carmakers are not exactly laughing their way to the bank. April sales growth is in single digits. Rising loan rates and higher vehicle prices are putting off buyers. Sales of Hyundai India stayed flat while Maruti Suzuki saw the needle move just 4.4 per cent in April.

The fight for the tablets market is intensifying. Even in India. Sales of iPad 2, which opened here April 29, have been brisk. Sony has launched its first tablet on the Android 3.0 operating system, but will have a tough time convincing fans of Apple and Samsung. Separately, while Sony's Playstation faces hacking issues, Apple with its iPhone4 is at pains assuring users on data security.

Insider trading charges are hurting Berkshire Hathaway, the iconic investment firm in the US. In the latest episode, billionaire Warren Buffett has criticised his one-time top colleague, David L. Sukol, for violating the code of ethics. Sukol bought shares in chemical maker Lubrizol before pitching that company to Buffett as a potential buyout target.

The United States has sued Deutsche Bank, accusing the German lender and its MortgageIT unit of lying to be included in a federal programme that had mortgages insured by the government. According to the complaint, MortgageIT endorsed, from 1999 to 2009, in excess of 39,000 mortgages with principal totalling more than $5 billion for Federal Housing Administration insurance.

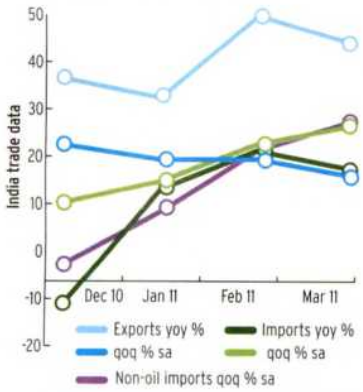
India has signed up former England cricket coach Duncan Fletcher. He ended England's Ashes misery in 2005 on home soil when Australia was beaten 2-1. Fletcher, who got an OBE for that, is to coach India on tour in England from July.

Economy

The Reserve Bank of India has raised its repo rate, at which it lends money to banks, by 50 basis points taking the rate to 7.25 per cent. This was ninth time that RBI, fighting inflation, has raised the rate since March 2010. Bond markets were expecting a jump of 25 basis points. But there is likely more monetary tightening ahead: Stanchart analysts expect the central bank's hawkish stance to continue. RBI interview: Pg 28.

SURGING EXPORTS

Exports jumped 37.55 per cent to $245.86 billion in 2010/11



Source: Bloomberg, CEIC, GS Global ECS Research

The Supreme Court has asked the central and state governments why there should not be a ban on the production, sale and use of insecticide Endosulfan which has crippled many in India – most violently in Kerala. Endosulfan is an off-patent organochlorine insecticide and acaricide. The colourless solid has emerged as a highly controversial agrichemical and its acute toxicity has it already banned by 84 countries. Under a global convention, India has agreed to a phase out spread over 11 years.

20 mn

IPL is hogging limelight. In the first 15 days, Youtube and Indiatimes recorded 20 million views, compared to last year's 11 million views.

$30.4 bn

Global computer operating system revenue in 2010 (7.8 per cent over $28.14 billion in 2009), according to research firm Gartner. Microsoft's market share went up to 78.6 per cent in 2010, while IBM and HP stayed distant competitors with 7.5 per cent and 3.7 per cent shares, respectively. Apple, with its Mac OS, had a market share of 1.7 per cent but has power growing through other devices.

4%

The new interest rate on savings deposits. The hike from 3.5 per cent came after eight long years. Before you grin, bear with this news too. Home loans will cost you more after RBI's latest round of hikes.

Markets

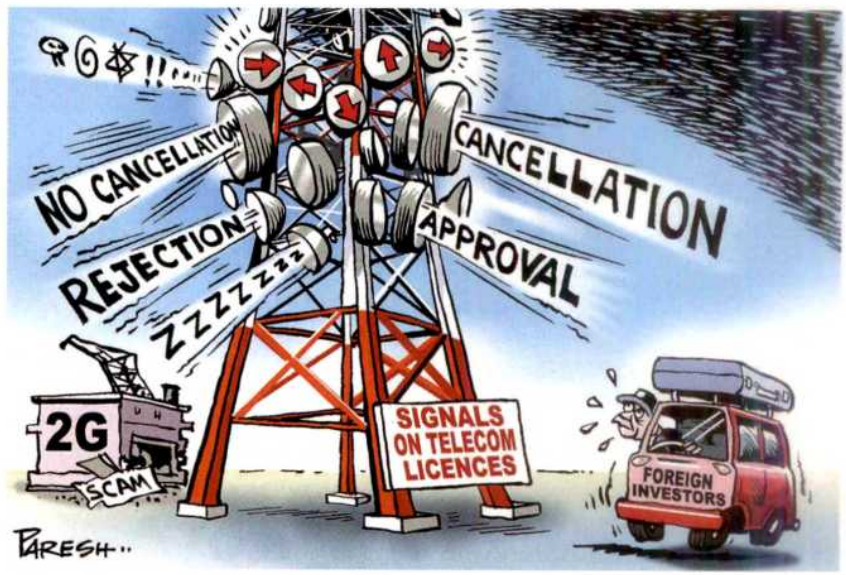
Osama bin Laden was buried at sea. Markets reacted immediately with the greenback surging, oil prices reversing their upward spiral. Terror cover rates also

dropped but there was not mistaking who biggest beneficiary is: US President Barack Obama, who seeks re-election in 2012.

Shares of SKS Microfinance, India's largest microfinance firm, fell by the maximum limit of 20 per cent with analyst firms halving share price targets. RBI earlier had put an interest rate cap of 26 per cent on micro loans up to ₹50,000. Small hurts, it seems.

Coming Up

- A new steel policy is in the works. Four task forces, soon to be appointed, will suggest how to address issues hurting the sector's growth. The earlier policy had projected annual growth in steel demand at 6.9 per cent, but it is steaming ahead at 9.2 per cent.
- Buying a car? Take stock. New fuel efficiency norms are expected soon. With eco-friendly vehicles getting extra mileage, expect small cars to benefit. The new standards are expected by 2015.
- Power Financing Corporation's FPO will be open May 10 to 13. It will be the government's first divestment this financial year and is expected to rake in ₹6,000 crore.



FOCUS

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Maharaja in Chains

The merger of Air India with Indian Airlines is at the root of the airline's current troubles, says Rajiv Pratap Rudy.

RAJAT BARAN

₹20 cr

The estimated daily losses incurred by Air India

The biggest mistake relating to Air India was the decision to merge the erstwhile Indian Airlines into the flagship carrier. In 2007, in its report on the national carriers, Accenture had highlighted two factors as being responsible for their sub-optimal performance: an ageing fleet and the fact that the two existed individually. The report had gone on to say that merger of the two entities and replacement of the ageing fleet would result in a profit of ₹1,000 crore in the first year itself. Instead, in the three years following the merger in 2007 we have seen losses escalate from ₹1,200 crore in the first to ₹2,600 crore in the second to ₹5,500 crore in the third. Each time, the management of the airline blamed the losses either on high fuel prices or intense competition or some other factor. The inescapable fact is that the airline today has accumulated losses of ₹16,000 crore.

A new fleet was indeed acquired for the airline but with almost no planning. When an airline buys expensive aircraft such as the Boeing 777 that Air India acquired, route and fleet planning often starts six months

before the aircraft start arriving. Instead, we had an extraordinary situation where Air India could not take delivery of three aircraft that had to remain parked at Boeing's factory for more than three months as Air India did not have enough trained pilots and cabin crew.

Again, when Arvind Jadhav took over as managing director of Air India he quashed the recruitment of additional cabin crew after the process for it had been nearly completed. As a result, another eight months were spent hiring cabin crew. During this period hundreds of flights had to be either cancelled or were delayed, not because of a lack of pilots or planes but because of a lack of crew.

Why did Air India withdraw flights from routes where it had good loads and why were these routes given to private airlines? I have nothing against private airlines. I even fly one (Indigo) to keep my hours. But this decision seemed to be aimed at weakening the national carrier.

The merger itself was hastily carried out. The pilots of the erstwhile Indian Airlines were promised parity with Air India pilots. For three years, nothing was done about it. Discontent built up. Praful Patel managed to keep it in check while he was minister, thanks to constant negotiations. After all, if you have been promised something, you do expect it. The pilots were in a position to protest, unlike the cabin crew, ground staff and maintenance crew.

Now, instead of looking for ways to resolve differences with the pilots who are on strike, the Air India management and particularly Jadhav has decided to "teach the pilots a lesson". Matters have worsened to such an extent that even the executive pilots of the airline, who are management cadre pilots, have gone on strike in support of their colleagues.

When Jet Airways pilots went on strike a few years ago, I remember Naresh Goyal, the airline's chairman, talking to pilots and pleading with them to go back to work. But Jadhav has decided that he will not even talk to the pilots. Even the Delhi High Court has noted this fact. It appears that the management wants to make the pilots scapegoats for its successive failures. It was looking for an alibi and feels that the pilots have provided it one.

There is a severe shortage of trained commanders across Indian carriers and this has been forcing airlines to hire expatriates — often those with less than the best skills. If Air India sacks the striking pilots they can easily get jobs in other airlines within three months. But the pilots want to work for Air India. They, however, also want their dues. In Parliament, we were told that Air India loses ₹20 crore a day. It is surprising then the management is fighting over what is essentially a matter of a few crores.

What can be done? We in the Bharatiya Janata Party, or BJP, have always argued in favour of privatisation of Air India. If not full privatisation, at least a partial one can be carried out through disinvestment. This will bring in funds to run the airline instead of the government constantly raiding taxpayers' money to feed it. The management of Air India should also be professionalised. The airline should not be allowed to become a training ground for officers of the Indian Administrative Service who have no knowledge of the aviation sector. Besides, there should be less interference from the ministry.

I believe Air India is an important asset to Indian skies, and it has helped keep airfares in check. The moment the pilots went on strike airfares rose significantly. I hope this issue is resolved and the government takes some good decisions on the airline.

The author is a former civil aviation minister and a pilot
(As told to Kushan Mitra)

RUDY'S TAKE

- Merging Indian Airlines with Air India was a big mistake
- The strike by the pilots is an outcome of the hasty merger and unkept promises of the management
- The management is more keen to teach the pilots a lesson than break the stalemate
- Long-term solution lies in privatisation of Air India and professionalising its management

WORDSMITH
(NEW WORDS IN BUSINESS)

Job Lock

What it means: An employee who wants to quit his job but doesn't want to lose his benefits.

Origin: In the 1990s, the term became popular in the United States when employees were not opting for a better job because it did not come with health insurance cover. Over the years, it has come to mean all company benefits.

Usage: "Job lock restricts the influx of hard-working workforce."

Making Your Word Count

A life insurance policy can now be bought over the phone without physically filling an application form.

By DIPAK MONDAL

NEW IT PECKING ORDER?

If Cognizant's projections hold, it will best Wipro in Q1, 2011/12

$2.2 BN

Revenues of **TCS** in Q4 of 2010/11, up 33.2 per cent y-o-y and 4.7 per cent q-o-q. TCS does not give revenue projections.

$1.64-1.66 BN

Infosys's projected revenue for Q1 of 2011/12, up from $1.60 billion in Q4 of 2010/11.

$1.45 BN*

Cognizant's revenue forecast for Q2 of 2011. It posted revenues of $1.37 billion in Q1 of 2011, up 42.9 per cent y-o-y.

$1.39-1.4 BN

Wipro's revenue projection for Q1 of 2011/12, which will remain flat over its Q4 revenues of $1.4 billion in 2010/11.

*Cognizant follows the calendar year as its financial year

What is proposed...

Effective October 1, people will be able to purchase life insurance policies over telephone without filling any form or signing any document. According to the latest Insurance Regulatory and Development Authority, or IRDA, guidelines on telemarketing: "In instances where a policy is issued without obtaining a proposal in physical form, insurers shall forward a verbal transcript of the voice/electronic record of the queries raised and answers thereto on the basis of which the policy has been underwritten, along with the policy bond."

The guidelines call for "standardised scripts for presentation of benefits, features and disclosures under each of the products proposed to be sold" by insurers/brokers prior to a sale. The record of every call and SMS leading to a policy sale will be required to be transferred to the insurer within 30 days.

... and the reasons...

One can already purchase travel and health insurance over phone without having to fill a form. The process is now being extended to life insurance policies. The guidelines for telemarketing of insurance products are based on the recommendations of a committee constituted by IRDA on distribution channels, which called for permitting direct marketing of all insurance products and developing this as one more channel for reaching out to the mass market with simple products requiring limited or no advisory.

... and its impact

"This is a path-breaking change and makes sale of life insurance products easier," says Girish Batra, Chairman and Managing Director, NetAmbit, a telemarketing company that sells financial products. The new guidelines also put a cap on sale of complex products like unit-linked insurance plans, or ULIPs, through telephone, limiting the annual premium to ₹50,000 in case of non-single policies and to ₹100,000 for single premium policies. ULIPs account for over 55 per cent of the total life insurance premium collection, as per data from the Life Insurance Council, a body of life insurers. However, Mayank Bathwal, CFO of Birla Sun Life Insurance, says the cap on ULIPs will not impact sales, as the average ticket size of a life insurance policy is ₹20,000 a year.

The regulator has also banned sale of universal life plans, which like ULIPs combine investment and insurance but are more complex and riskier products than ULIPs, through telemarketers.

Courtesy: *Money Today*

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Schneider Electric

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*EcoStruxure architecture reduces energy consumption by up to 30%.

Nikon's tidy power shooter and Panasonic's all-weather lapt

Nikon Coolpix L120

Packing a Punch

The Coolpix L120 from Nikon is a surprisingly small came packs a powerful punch at an affordable price. A 21x zoom lens is this camera's main weapon. The lens, coupled ' ability to record 720p high-definition video quite easily and a of features, makes this camera a handy vacation compani best thing about it is the large battery case which hous AA batteries and allows a firm grip which is enhanc non-slip rubber covering. The LCD screen on the L12 one of the best on any small camera in the recent pa

In Nikon's bigger digital single-lens reflex camer ter known as DSLRs, the vibration reduction feature into the lens, whereas in compact cameras vibration led with 'sensor shift'. This means that in really shaky tions the image might still end up blurred. But, the C lightweight makes it easier to keep the camera steady. Wh swap out the memory card, just make sure the camera is flipp as the card shares the compartment with the batteries.

If you are looking for a capable and compact camera to before the summer holidays, one that can take pictures of out at Salzburg as easily as it can the ruins of Rome, take a g at the Nikon Coolpix L120.

⊕ 21x optical zoom, excellent LCD screen, easy videorecording

⊖ Vibration reduction could be better

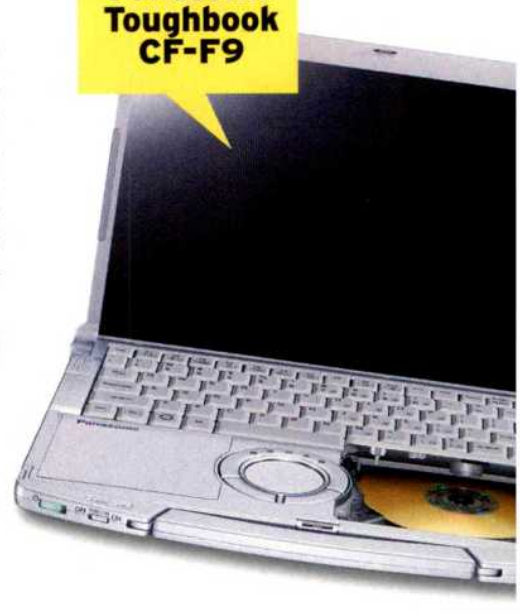
Price: ₹15,450

Expensively Tough

Six years ago we reviewed a Toughbook and managed to dent it. This surprised us, given the toughness of this range of laptops by Panasonic. We did not push its new product to the limit although we did nonchalantly drop it a couple of times from a height of about three feet. No dents, no performance issues, no problems. The integrated carrying handle makes lugging this light laptop easy. But as far as technical specifications are concerned, the CF-F9 is a bog-standard. You pay top dollar just to ensure it will perform even in the worst environments. Great machine no doubt, but too expensive for most.

COMPILED BY KUSHAN MITRA

Panasonic Toughbook CF-F9



⊕ Light, integrated carrying handle. No damage if dropped from a table

⊖ Extremely expensive

Price: ₹1,65,000

morning

light

lunch break
light

sunset
light

laptop
light

Whatever the light, see better with Transitions lenses.

Your day takes you through many different shades of light. Ordinary spectacle lenses don't respond to these varying light conditions. Only Transitions lenses are engineered to adapt to the ever-changing shades of light, reduce eye strain and help you see better in every light.

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Comfort and Convenience Trusted the world over!

Millions of spectacle wearers around the world trust the cutting-edge technology of Transitions lenses. Whether you're working on a computer, watching a movie or dining at a restaurant, Transitions lenses provide your eyes utmost comfort and convenience at all times. Isn't it time you made the switch, too?

Protect your eyes from UV Rays

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midday light

cafe light

jogging light

dinner light

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BT-CARMA

CEO Watch

INDIA'S AND THE WORLD'S MOST TALKED-ABOUT CEOs IN APRIL

Ratan Tata

RAJAT BARAN

Ratan Tata hogged maximum media attention in April, thanks to the extensive coverage accorded to the simultaneous but independent probes by the Central Bureau of Investigation and the Public Accounts Committee, or PAC, of Parliament into the 2G spectrum scam. His appearance before the PAC in connection with the probe, as well as his admission that he had, indeed, praised A. Raja, when he was Telecom Minister, in a letter to Tamil Nadu Chief Minister K. Karunanidhi, were extensively reported in the media.

Tata was also in the news over the succession issue and his leadership. His disclosure that his half-brother Noel Tata was in contention for the top job at Tata Group, as well as Tata Sons' Group Director R. Gopalakrishnan describing Tata as the group's "biggest asset" received wide coverage in the pink papers.

TOP 10 INDIAN CEOs

Anil Ambani

Sanjay Chandra

Rank	CEO/Company	No. of Stories	
1	Ratan Tata/Tata Group	68	▲
2	Anil Ambani/ADAG	48	▲
3	Sanjay Chandra/Unitech	40	NEW
4	Mukesh Ambani/Reliance Industries	32	▼
5	S. Gopalakrishnan/Infosys	19	NEW
6	Pratip Chaudhuri/State Bank of India	13	NEW
7	O.P. Bhatt/State Bank of India, retired Mar. 31	10	▲
8	Adi Godrej/Godrej	10	NEW
9	V.K. Goenka/Swan Telecom	10	NEW
10	Atul Jhamb/Etisalat	10	NEW

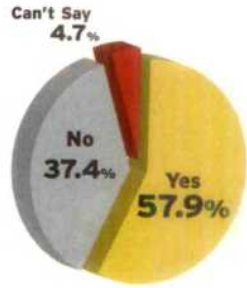
TOP 10 GLOBAL CEOs

Bob Dudley

Lloyd Blankfein

Rank	CEO/Company	No. of Stories	
1	Warren Buffett/Berkshire Hathaway	201	▲
2	Bob Dudley/BP	73	▲
3	Lloyd Blankfein/Goldman Sachs	65	▲
4	Rupert Murdoch/News Corp	61	▼
5	Jamie Dimon/JPMorgan	48	NEW
6	Robert Greifeld/NASDAQ	45	NEW
7	Larry Page/Google	36	NEW
8	Duncan Niederauer/NYSE Euronext	30	NEW
9	Roger Agnelli/Vale do Rio Doce	29	NEW
10	Carlos Ghosn/Nissan-Renault	28	▼

Q. Will setting up the Lokpal help in combating corruption?



Results of *BT* online poll;
No. of respondents: 171

Majority of respondents believes that creation of the institution of Lokpal will help fight corruption effectively. No doubt, corruption is the biggest scourge facing India today; if unchecked, it will deal a body blow to the India Shining story. But this belief in the efficacy of the Lokpal also stems from frustration over the failure of the existing institutional mechanisms to deal effectively with corruption. It was this frustration that recently saw people from all walks of life join social activist Anna Hazare in demanding the immediate creation of the Lokpal with suitable amendments in the draft Bill. After all, the demand for this has been hanging fire since 1968.

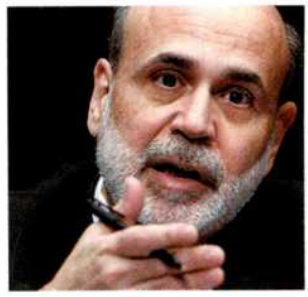
Next poll question:

Are gold and silver better investment options than equities?

Log on to www.businesstoday.in to cast your vote

"... The Fed can't create more oil. We don't control the growth rates of emerging market economies."

Ben Bernanke, *Chairman, US Federal Reserve, at the first-ever press conference held by a Fed chief, quoted by wire agencies*



"The news is that I'm much richer than everyone thinks. I'm worth more than $7 billion, with hundreds of millions in cash..."

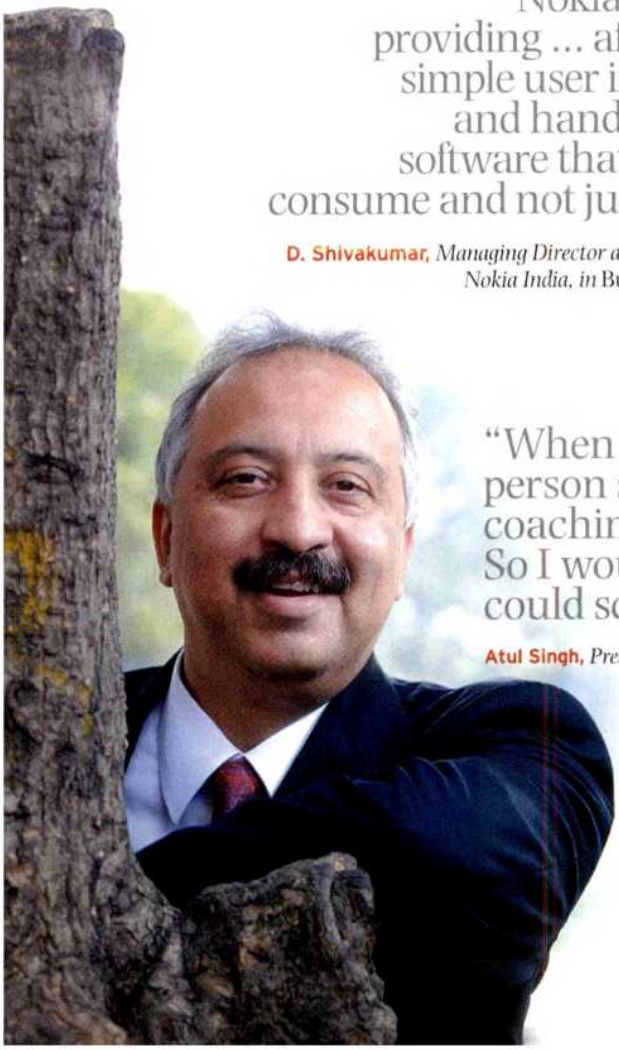
Donald Trump
Chairman and CEO, Trump Organization, in Bloomberg BusinessWeek

"... The world of tomorrow will require a different set of core characteristics in every employee. Ability to handle ambiguity will be a virtue."

T.K. Kurien, *CEO, IT Business, Wipro, in* Mint

"Nokia excels at providing ... affordable, simple user interfaces and handsets with software that one can consume and not just fancy."

D. Shivakumar, *Managing Director and Vice President, Nokia India, in* Business Standard



"When you score a goal, it is one person scoring it, but when you are coaching, you've 10 people scoring goals. So I would rather have more people who could score goals than just me."

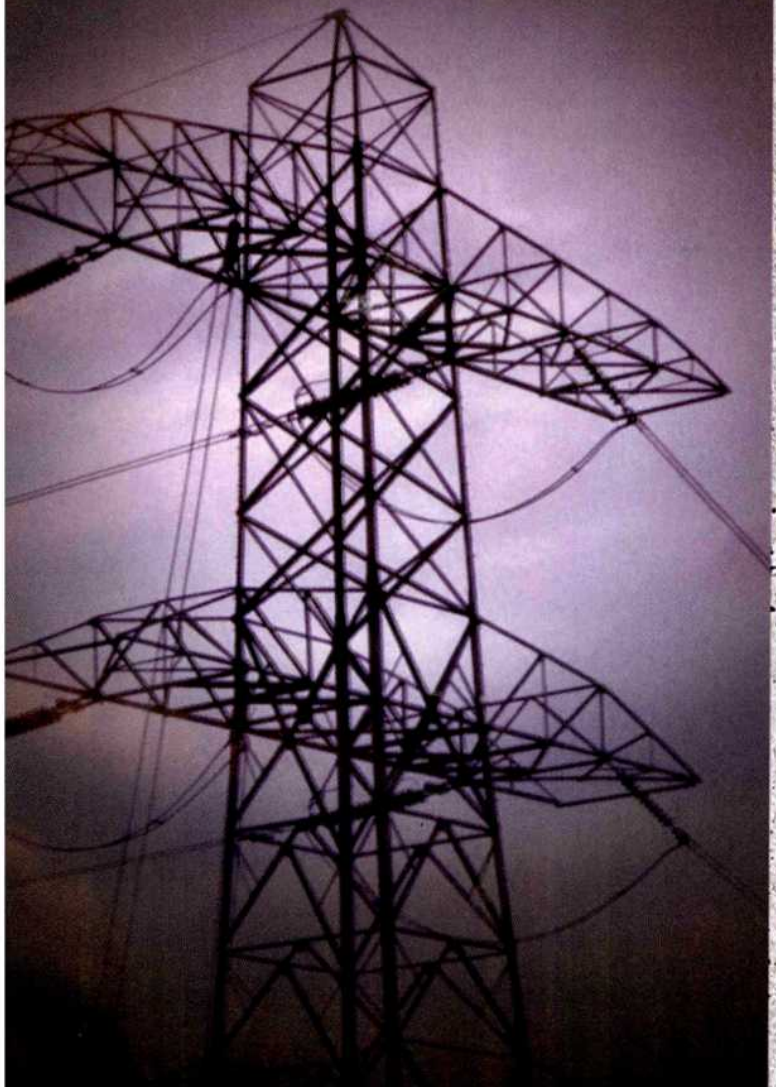
Atul Singh, *President and CEO, Coca-Cola India, in* The Economic Times

CLASSIC BUSINESS QUOTE

"If you don't have integrity, you have nothing. You can't buy it."

Henry Kravis

Even those who help power a nation could do with some extra power.



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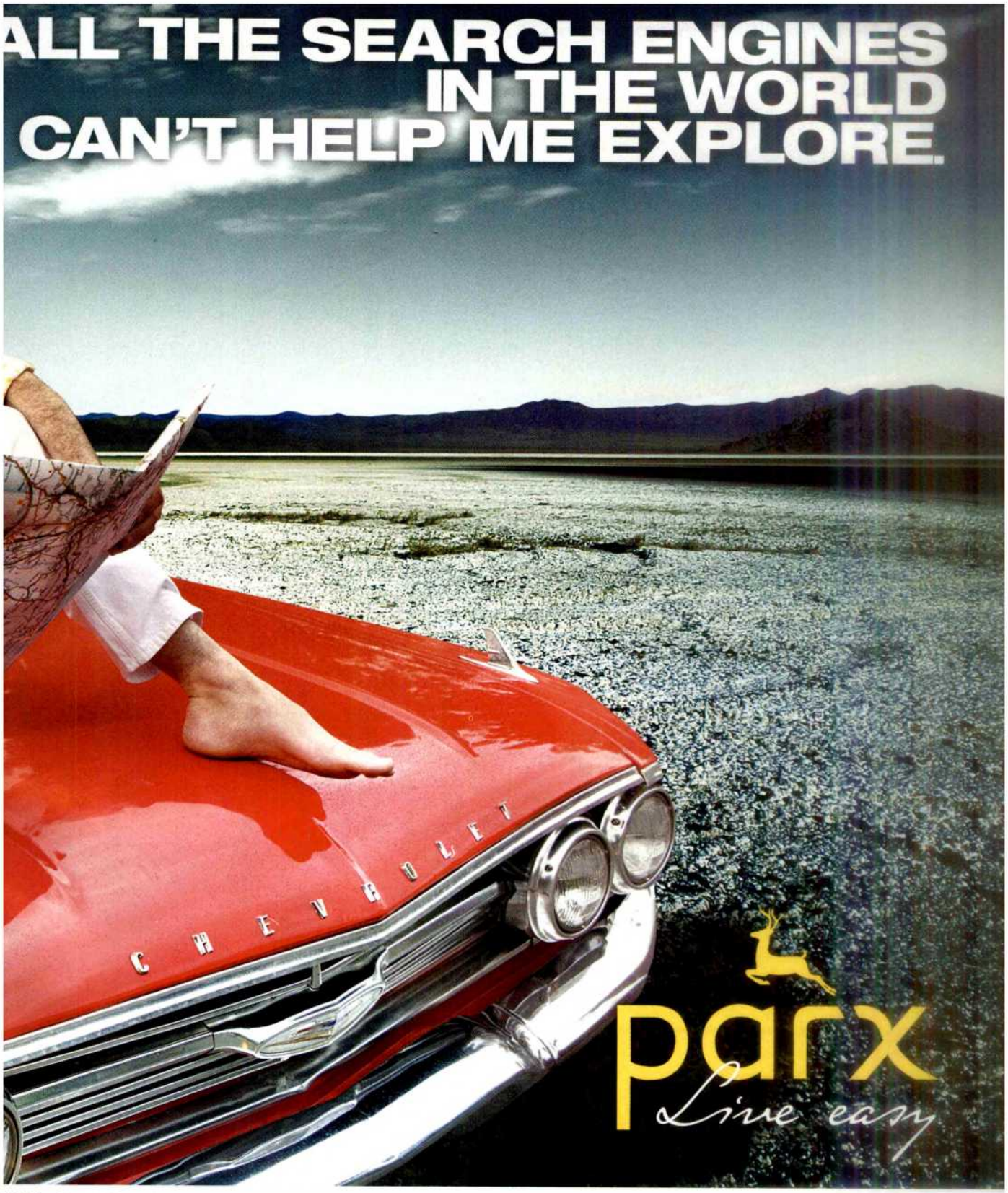

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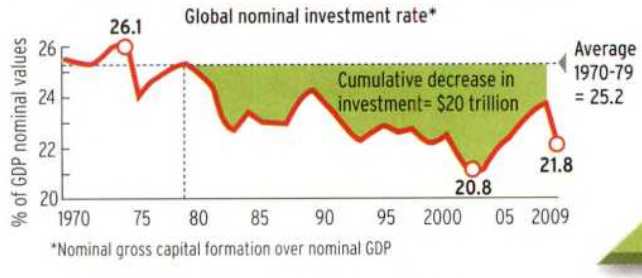
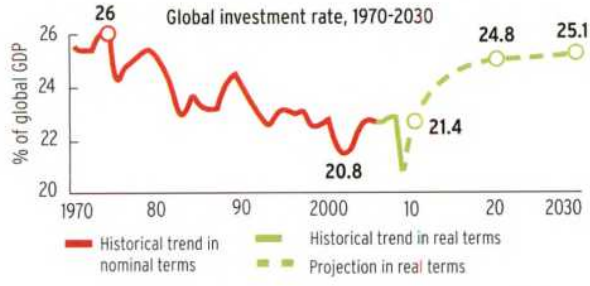
1 **The global demand for capital has declined significantly since the 1970s...**



2 **...But rapid growth in emerging markets can reverse the trend in coming years**



Capital Crunch

The prevailing low interest rate regime may end soon, and global capital may become dearer in the coming years, thanks to the voracious investment needs of emerging economies, says the McKinsey Global Institute in a recent study.

5 STEPS TO HERE
TECH MAHINDRA'S JOURNEY

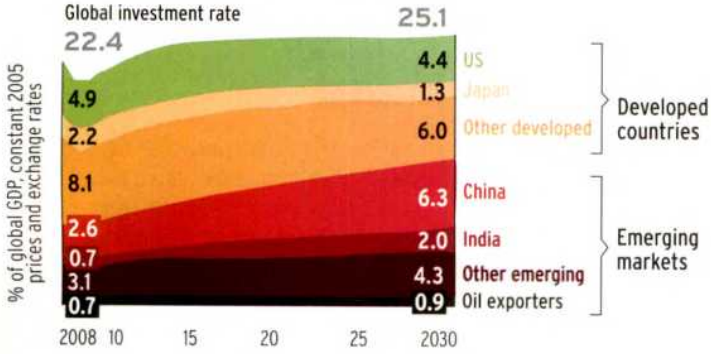
1

1986
M&M and British Telecom announce JV with 44% and 38% holding, respectively, in the incorporated company Mahindra British Telecom.

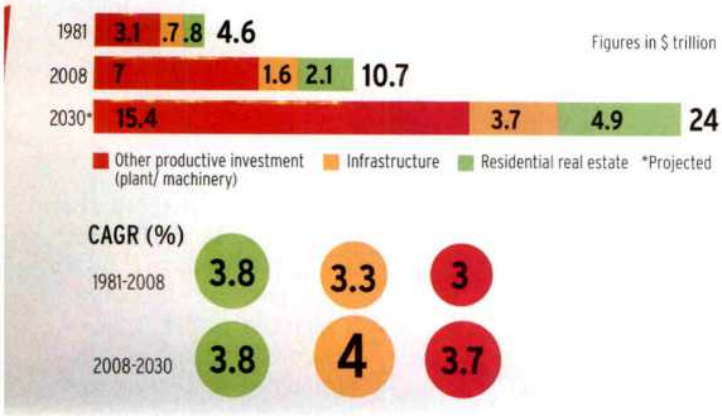
2

April 2009
MBT, renamed Tech Mahindr emerges as top bidder for a 31% stake in Satyam Compu after the Satyam scam; pays ₹1,760 crore.

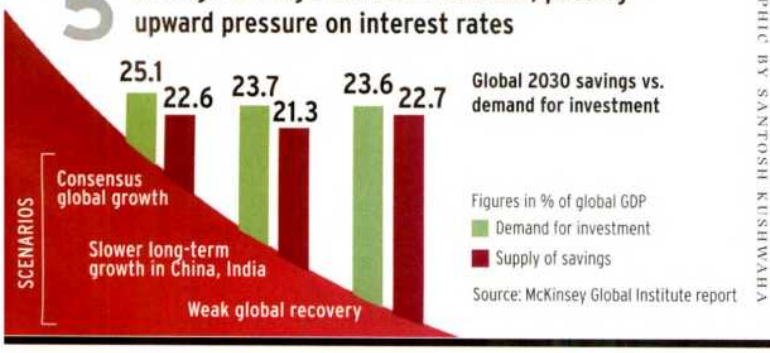
3 With China accounting for a quarter of global investment by 2030...



4 ... And emerging markets effecting a change in the mix of global investment...



5 Savings will lag investment demand, putting upward pressure on interest rates



GRAPHIC BY SANTOSH KUSHWAHA

BT Retro
December 17, 2006

Respite from Telecallers Still Some Way Off

THEN: How many times have you received calls from telemarketers offering you housing loans, personal loans, credit cards, insurance and the like? Your irritation is being addressed. The Telecom Regulatory Authority of India, or TRAI, has issued a consultation paper on "Unsolicited Commercial Communication" and has invited comments from stakeholders – telecom operators, banks and other agencies that use telecom services for advertising, marketing and sales – and the public at large on the issue. The paper, incidentally, talks of penalising violators. "The aversion of many subscribers towards invasion of privacy and the nuisance of telemarketing has found expression in a different fora. There have, thus, been attempts to resolve this problem, but the current solutions are fragmented and have not been comprehensive," says TRAI. The exercise will take about three months to complete and TRAI will issue comprehensive guidelines based on these comments.

NOW: Unsolicited telemarketers' calls have gone down, but they have still not stopped. In fact, spam phone messages have increased. The telemarketing industry is worth ₹2,000 crore.

3

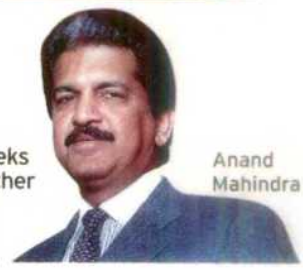
March 2010
British Telecom sells off 8.07% stake in Tech Mahindra to the US-based communications firm AT&T for $34.5 million.

4

December 2010
M&M acquires 5.5% from British Telecom's remaining 29.9% stake in Tech Mahindra for ₹451 crore.

5

April 2011
British Telecom seeks bids to sell off another 10% of its stake in Tech Mahindra.


Anand Mahindra

ANAMIKA BUTALIA

"India Is Fastest Growing Market for Us in Asia"

RACHIT GOSWAMI\www.indiatodayimages.com

THOMAS KALARIS, *Chief Executive of Barclays Wealth since 2006, is on a hiring spree to transform the private wealth manager into a global brand. "If you don't do it in the next five years, you won't be able to do it ever," sums up this ex-JP Morgan executive. Excerpts from an interview with* **ANAND ADHIKARI:**

On hiring, exits and shake-up: Our hiring is primarily focused on (serving) the higher end of the wealth management market. It is primarily focused on bankers as opposed to any infrastructure people. There is an orientation towards hiring senior bankers and (serving) ultra high net worth individuals. We are also making significant investments in technology, systems and processes at the back end. The objective is to redefine the wealth management landscape.

On India: The bulk of our assets under management ($250 billion) is in Europe. The United States and United Kingdom are the two big contributing countries. Today, we get a smaller portion from Asia, but it is the fastest growing region. Within Asia, the fastest growing region for us is India.

On Barclays absence in China: We access the Chinese market through Singapore and Hong Kong... In the long run, to be effective, you need to have a local presence and a global matrix. But there is no plan at the moment to open an onshore China office.

On flow of funds into developing markets: Broadly speaking, our clients at the moment are "overweight" in developed market equities and "neutral" in developing market equities. This is more tactical than strategic. In our view, India and China are going to outperform the rest of the world.

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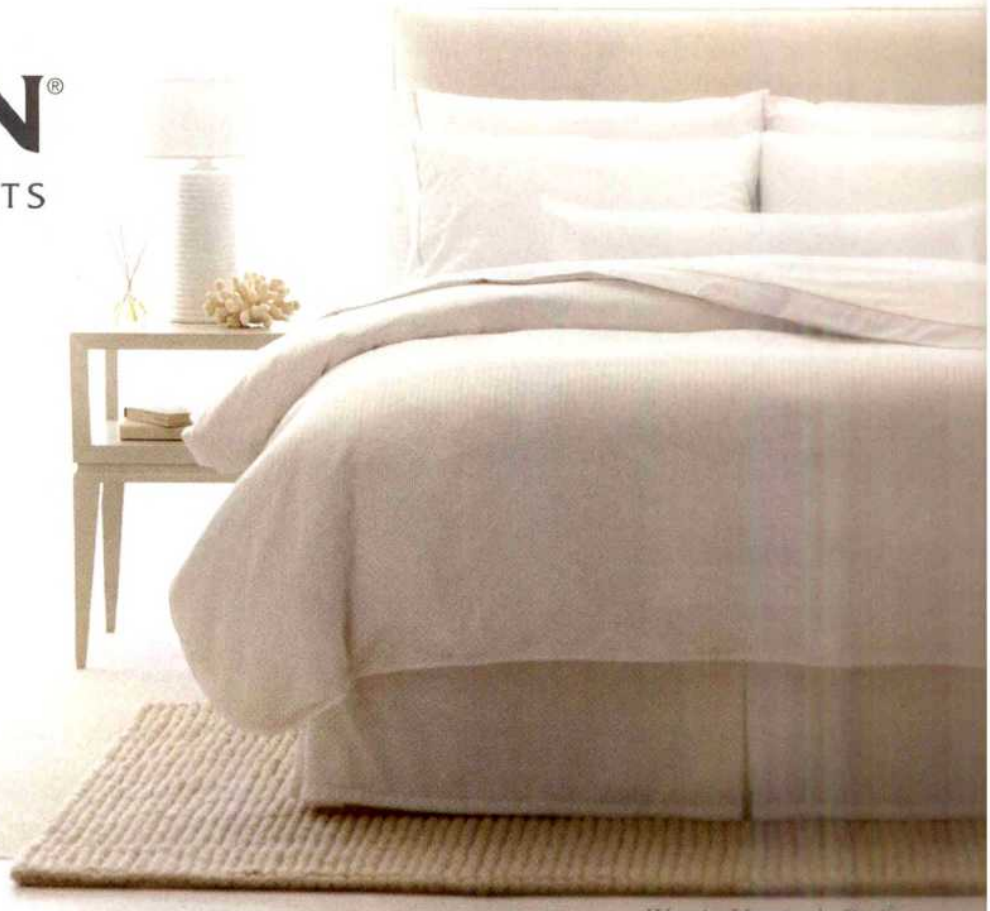

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HOW THINGS WORK

Streaming Videos

The April 29 royal wedding in Britain was an Internet blockbuster, with millions watching it live online. Though live video streaming for multiple viewers is now commonplace, here is a quick primer on how it works:

STREAMING VERSUS UPLINKING: In uplinking, a video is shot and later uploaded for mass viewing on platforms like YouTube. Streaming means broadcasting a video as it is being shot.

BASICS: Live streaming is done using a high-definition webcam and a microphone connected to a PC, which in turn is connected to either a web or a streaming server. Live streaming sites such as ustream.tv, qik.com and stickam.com provide unique web addresses that can be shared with potential viewers. Software for uploading the stream from the website needs to be downloaded and installed to enable viewing.

HANDICAP: Streaming requires high Internet speeds. For a single webcam, 1mbps is a minimal requirement. Uniform service and speed are vital for uninterrupted streaming.

ILLUSRATIONS BY SANTOSH

JUST WONDERING

Running Out of Gas

Whatever happened to the Gas Authority of India's Jagoti-Pithampur pipeline project in Madhya Pradesh? Originally scheduled for completion in the third quarter of 2006/07, the project is yet to get off the ground. Back then, the project cost was calculated at ₹195 crore. Barring the usual bureaucratic lethargy, the reasons for the delay in laying the pipeline remain obscure. Consumers in MP are clamouring for natural gas, but they are unlikely to get it in a hurry. The state government wanted the 135-km Jagoti-Pithampur pipeline extended to Barwah to supply gas to a 330-MW gas-based power plant. But GAIL refused saying its share of regassified LNG from Petronet LNG Ltd's Dahej terminal had already been tied up. The ensuing stand-off over supply of gas and the logistics of laying the pipeline have stalled the project indefinitely.

COMPILED BY ANAMIKA BUTALIA

QUIRKY

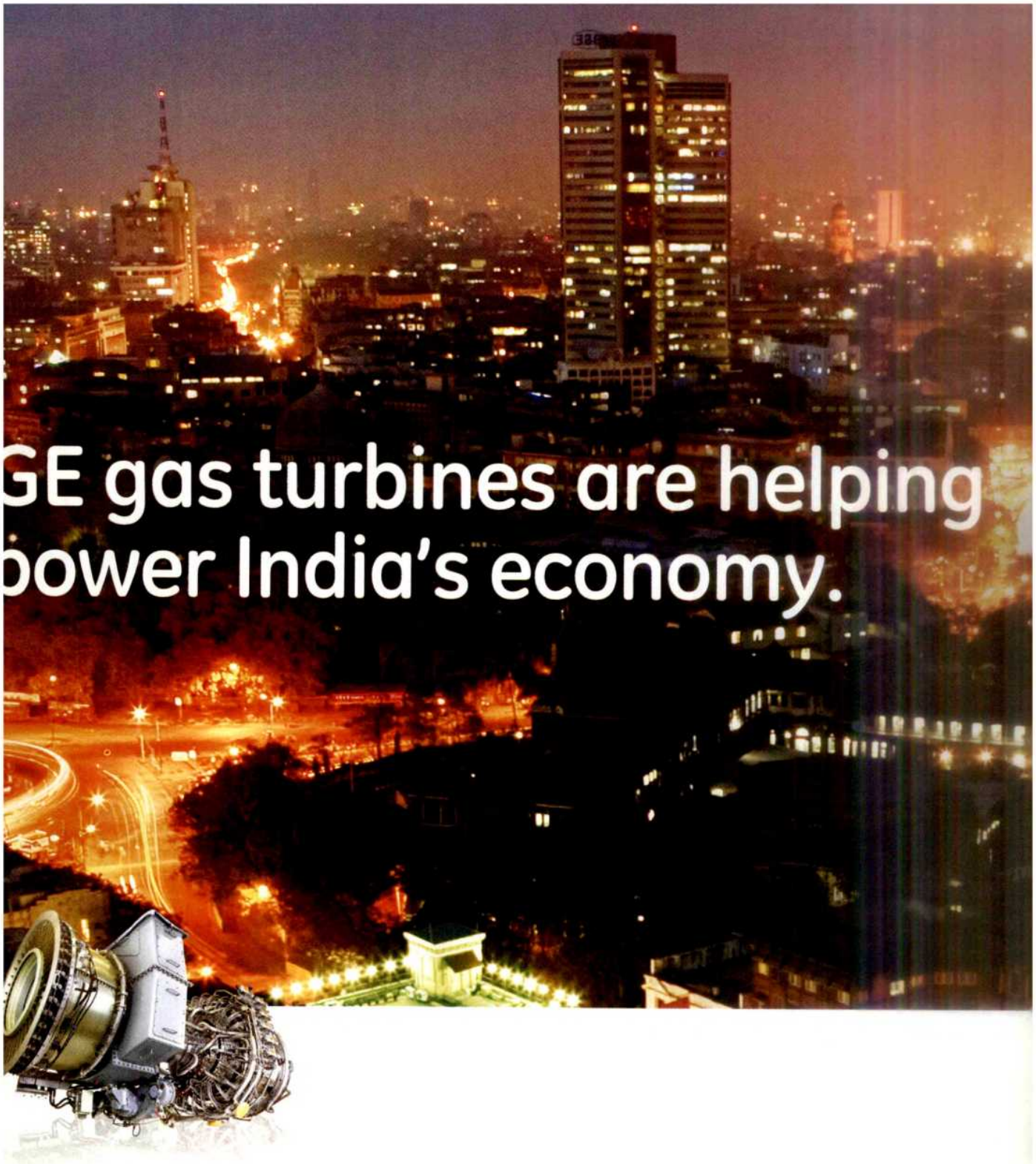
From Ludhiana, with Love

Ludhiana and London have a longstanding relationship. Once London ruled Ludhiana – as it did all of India – and thereafter thousands of Ludhiana-ites have flocked to settle in London. Even so, it was an achievement for a Ludhiana exporter to be chosen over fancied global fashion houses to make scarves for the guests at the mother of all weddings – that of Britain's Prince William to Kate Middleton. Centex Exports shipped 4,000 scarves with the Union Jack printed on them for the guests of the royals. Another 2,600 scarves were exported to be sold as online merchandise. But this is not Centex Exports's only claim to fame. Last year, it had tied up with European fashion brand Hugo Boss to manufacture stoles for celebrities attending the Berlin Film Festival.

SNOOT CORNER

Transport Turns Sport

Skiing was not always the adrenaline pumping sport that it is now. Skis began as a means of transportation. Their first use has been observed among the ancient Norse and Swedish communities. The Norse even had a goddess who hunted on skis. Skiing became a sport only after Norwegian Sondre Norheim developed the signature Telemark ski in 1870. Harrison Schmitt, a member of the 1972 Apollo 17 crew, once said that the ideal training for moon walking was cross-country skiing. And, to think it can cost $1,000 or more a day on the slopes of Lake Tahoe or Alberta today.



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imagination at work

"Monetary Policy Wasn't Loose"

He received enormous praise for the Reserve Bank's deft handling of the macro economy in the face of the financial meltdown triggered by the collapse of Wall Street firm Lehman Brothers and the eventual global economic downturn of 2008/09. But RBI Governor **DUVVURI SUBBARAO** *is now being blamed for India's inflation problem. In an interview with Associate Editor* **PUJA MEHRA** *soon after announcing the annual monetary policy on May 3, Subbarao rebutted his critics and said that, looking back, he would not have done anything differently. Edited excerpts:*

The Reserve Bank drastically revised its projections for inflation and yet the actual numbers came out a percentage point higher in March than the RBI's eight per cent projection. Why could the RBI not project inflation accurately?

The actual numbers for inflation started deviating from our projections December 2010 onwards. In the period from April to December 2010 our forecasts were pretty much on track. A lot of known unknowns have come into play. For one, the [rise in] international crude prices was a result of a number of supply and demand factors which could not have been foreseen. That there would be such recovery in advanced economies, that there would be financialisation of commodities, and the political developments in Africa and Middle East [were all unexpected]. Second, input price rises translated into higher output prices because of demand pressures that were much stronger than we had thought. Third, there was the unseasonal rise in vegetable prices. What the economists in RBI told me is that the non-food manufacturing inflation numbers for December 2010 to February 2011 had under-reflected the demand pressures. Therefore, we went off-track in getting the March numbers. That is not to say we need not improve our forecasting techniques.

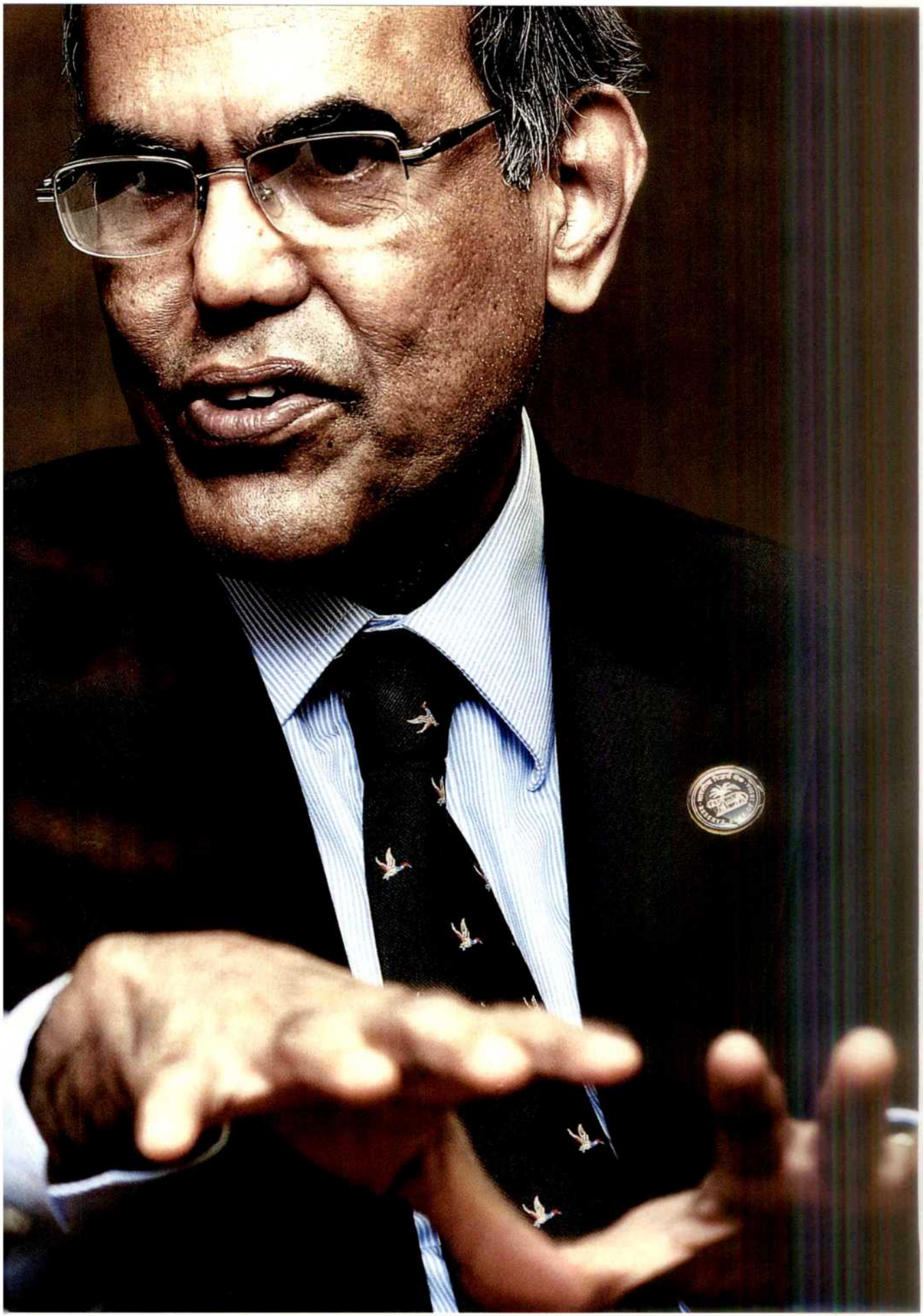
Full transcript of the interview at
www.businesstoday.in/subbarao

Business Today **has constructed a Business Confidence Index whose first survey ended in early March. Our main finding was that companies are enjoying significant pricing power owing to robust demand, just as the annual monetary policy statement notes. Business, it would seem, loves inflation....**

They might have loved inflation as input prices were high and without sacrificing their margins they were able to pass on input price rises, but that was clearly unsustainable. They could not maintain that for long. It was not in the interest of long term profitability.

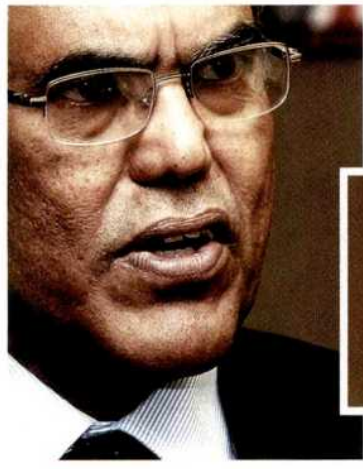
Because it comes back to haunt them as wage cost inflation pressures?

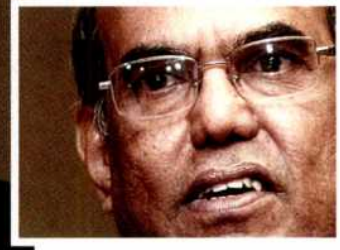
That's right.



PHOTOGRAPHS BY UMESH GOSWAMI/WWW.INDIATODAYIMAGES.COM

So were demand pressures high as monetary and fiscal policies were loose for longer than desirable?
Monetary policy wasn't loose. If you look at M3 [a measure for money in circulation in an economy which, if high, can fuel inflation, as too much money chases a supply of goods and services that cannot be expanded in the immediate term] it was 15.9 per cent – certainly below our projection of 17 per cent. If you look at real policy rates, which is another indicator analysts throw at me, depending on what inflation rate you use for expected inflation, you could arrive at positive or negative real rates. But the important thing to remember is where we are coming from. We had done extraordinary loosening during the crisis. Policy rates fell to historically low levels. We needed time to bring them up and it needed to be done in baby steps. So to say monetary policy was loose beyond the appropriate time would be incorrect. You might recall that many analysts were saying that we should have loosened further. The same people now say it was much too loose for far too long.





"Policy rates fell to historically low levels. We needed time to bring them up and it needed to be done in baby steps"

Would you say then that demand pressures were high because of the fiscal policy?
I don't want to comment on that but the fiscal stimulus that the government had given as an anti-crisis management measure was called for. Reversing that and reverting to our track of fiscal consolidation is also an important imperative. The government has done that, although there is some talk that the projections are short of the targets indicated by the Thirteenth Finance Commission. It is difficult both politically and macro-economically to bring the fiscal deficit down but it needs to be done.

I won't call the fiscal policy excessive or accomodative but I would certainly say that fiscal consolidation is an important imperative for our inflation management.

Are you throwing the ball into the government's court as far as fighting inflation goes?
We are just stating a fact – that the government is a big player in the macro economy. The fiscal deficit can affect the aggregate demand. So we have said that it is a variable that affects demand and so inflation management.

Will the government achieve the targets for fuel subsidies and, thereby, the fiscal deficit it set in Budget 2011?
The finance ministry had set targets in end-February. The oil situation was different then from what it is today. Certainly, there is doubt on whether those targets can be met unless adjustments are made to administered prices.

The annual policy statement says that inflation is an evil, it hurts investments. Has the RBI finally said inflation targeting is its *dharma*?
I don't think you should translate our comment as an endorsement for inflation targeting because inflation targeting means something different. But it is quite true that when inflation is as high as this in a country as poor as ours, controlling it becomes the top priority. Indeed, even to have sustainable growth over the medium term we need low inflation so that we provide a predictable environment for investment.

Industrialists are complaining that high interest rates, particularly the latest rate hike of 50 basis points, will hurt growth. Would you like to reassure them?
What I want to tell them is that inflation also hurts investors by creating uncertainty for them. The endeavour for the Reserve Bank is to bring inflation down to create a more conducive environment for investments so that even if we sacrifice some growth now, in the medium term we will have low inflation and high growth.

What could you do differently for a better growth-inflation combination than the 8:6 per cent you have projected?
Difficult to answer. We have no counterfactual [scenarios] to evaluate. Our policy action last year was driven by evolving an inflation growth scenario, as it is today. I am not sure that I would have done anything differently. ◆

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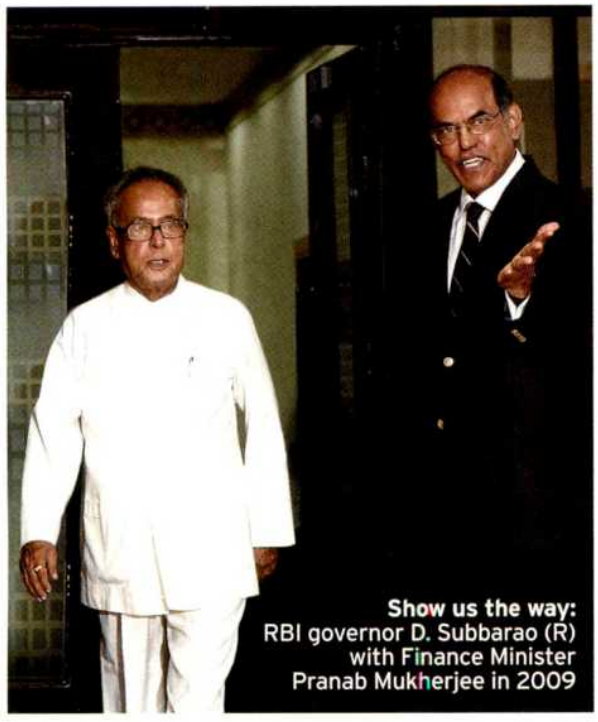

Show us the way: RBI governor D. Subbarao (R) with Finance Minister Pranab Mukherjee in 2009

Inflation: Over to You, Sir

The Reserve Bank has warned its fight against inflation will remain ineffective unless the government fixes the fiscal situation.

By PUJA MEHRA

Unlike central bank heads elsewhere, the Reserve Bank of India's governor is not elected. On May 3, the incumbent, Duvvuri Subbarao demonstrated the governor need not be popular either: in the annual monetary policy for 2011-12, the 62-year-old former Indian Administrative Services officer hiked interest rates for the ninth time since early 2010, this time by a bigger margin of 50 basis points, taking the repo rate – the rate at which it lends to banks – to 7.25 per cent. This rise in the cost of borrowings, the RBI acknowledges, will slow down the GDP growth rate for 2011/12 to eight per cent.

Predictably, Dalal Street booed the decision. The Sensex slid by 463 points on the day of the announcement. The Confederation of Indian Industry warned: "The rate hike will have an adverse impact on investments and growth."

But did the RBI have a choice? It had hiked policy rates eight times since early 2010. And yet, despite a good monsoon and a record harvest, the inflation rate in March 2011, the latest month for which figures are available, was nine per cent. It was one per cent in early 2010.

A number of factors, many of which are beyond the RBI's control, are fuelling inflation. A significant one is demand, which Subbarao admitted in the policy statement was stronger than the RBI had imagined.

Strong demand has fuelled inflation because consumers are able to afford higher prices. So companies have passed on rising input costs without having to cut margins. Evidence of the strong consumption demand and significant pricing power showed up in the first *BT C fore* Business Confidence Index Survey in early March too.

Demand will dampen if money becomes more expensive. So the RBI is fighting inflation with interest rate hikes or "monetary tightening". Through 2008 and 2009 it had dropped interest rates to stoke demand that had been hit by the global economic downturn. The "monetary loosening" supported GDP growth in the crisis. As did New Delhi's loose fiscal policy that slashed taxes and kept up public spending. The money consumers did not have to pay out in taxes, as also the money they could borrow cheap, they spent, boosting GDP growth.

The question, Subbarao's critics, especially those among them who would not like to see his tenure extended at the end of his three-year term this September, are asking is: did the Reserve bank delay the rollback of the monetary stimulus? Did it stoke demand too long and fuel inflation, as the supply side could not catch up?

In a post-policy interview to *BT*, Subbarao clarified that monetary policy was not to be blamed. After bringing down interest rates to historic lows in 2008/09, he could not have raised them overnight.

But did the UPA government dismantle its fiscal stimulus efficiently? For one, it did not decontrol retail prices of diesel, when the timing for it was apt and warnings aplenty. Rising crude prices have bloated its subsidy spending. The worsening fiscal deficit is feeding inflation while ill-targeted subsidies are preventing demand adjustments, a situation monetary policy cannot possibly fix. So the onus for tackling inflation now lies with Finance Minister Pranab Mukherjee. With elections in states over, will Mukherjee show the stomach for some unpopularity? ◆

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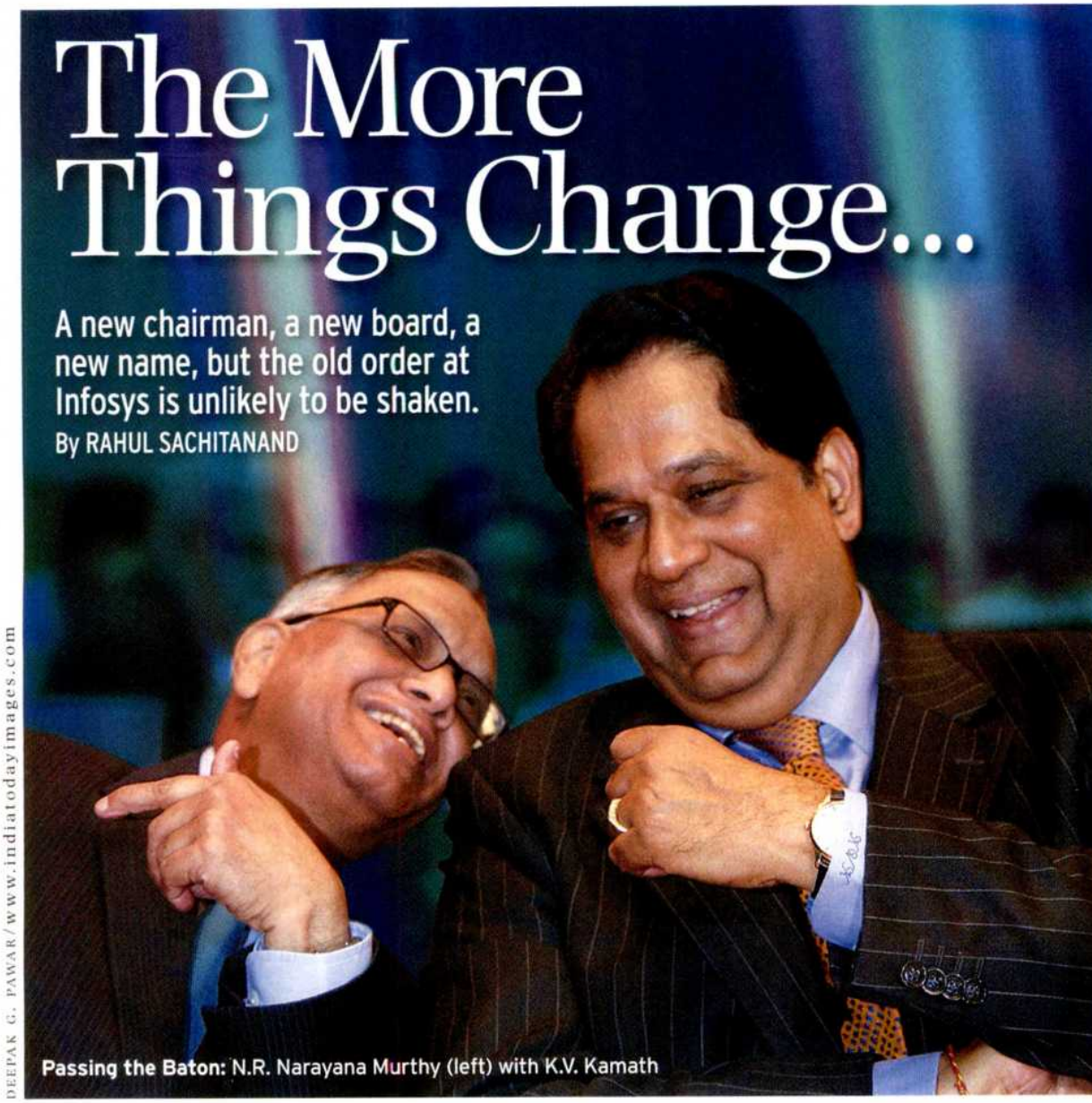
The More Things Change...

A new chairman, a new board, a new name, but the old order at Infosys is unlikely to be shaken.

By RAHUL SACHITANAND



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Passing the Baton: N.R. Narayana Murthy (left) with K.V. Kamath

Two years after the nominations committee at Infosys Technologies decided to appoint a successor to outgoing chairman N.R. Narayana Murthy, the company has finally chosen one. But the choice shows that the top management prefers comfort and convenience to anything bold or unexpected.

Even as Murthy retires to hold the post of Chairman Emeritus for life, a friend of four decades will replace him as Chairman – Kundapur Vaman Kamath. Though the company's name too changed as it dropped Technologies, and a new board will soon be formed, the air of easy familiarity within the top management that prevailed while the founders ran the show remains, even as the firm seeks to re-ignite growth and improve profitability and catch up with faster-growing Tata Consultancy Services, or TCS, and Cognizant.

Despite the 21 per cent revenue growth and the gross addition of 43,120 people to its payroll in 2010/2011, Infosys is perhaps a victim of its own success. The firm has forecast its lowest margin since 2003 and is struggling to shrug off the tag of being too conservative – the charge that it shies away from acquisitions battles and takes a safe route rather than chase risky, aggressive growth. "To be a long-term player, every firm has to focus on high-quality growth," says V. Balakrishnan, CFO and a contender for a board seat. "There is little meaning to robust revenue growth

without healthy margins."

Infosys has the image of a high-margin player, turning down deals which may be large but offer low billing rates. Rivals such as Cognizant have seized on this conservatism, grabbing revenue and market share by opting for lower margins.

Many believe the transition on April 30 was not radical enough. The changes are seen as minor, even as the firm clings to its own mantra of profitable growth. "The markets were expecting Infosys to combat its slowing growth and dipping margins with some substantial changes in strategy." Ganesh Duvvuri, Kunal Sangoi and Omkar Hadkar of Edelweiss Research wrote in a note issued to clients after the leadership announcement. "The company continues to work on its philosophy of 'profitable growth', which in the current competitive environment would be challenging." Infosys officials, however, say they will stick to the business model that has brought them great dividends in the past, and the upcoming changes in their top management structure – the appointment of a chief operating officer to replace S.D. Shibulal who becomes CEO in July, and three executive directors – is evidence of smooth transition.

"Every successful corporation needs to transform itself periodically to remain relevant to stakeholders," Shibulal said at the press conference announcing his promotion to Chief Executive. "Infosys has always been paranoid about change."

The company, however, has not been standing still in a rapidly changing market. It has announced consolidation of its existing eight industry units into four. Banking, financial services, insurance and healthcare will be clubbed into one unit; energy, utilities, communications and services into another; retail, consumer packaged goods, logistics and life sciences into a third; while manufacturing will be the fourth unit. Shibulal is also expected to lead Infosys's concerted foray into high-value services, even as it focuses on expanding its basket of intellectual property-based solutions and platforms to grow its non-linear business.

But the top priority is getting its succession planning right. "Kamath's appointment underscores the huge challenge Infosys has in transitioning to a new generation of leadership while it takes on the most difficult of strategies any of the Indian IT firms are attempting," says Peter Bendor-Samuel, CEO of outsourcing advisory Everest Group. Infosys also plans to set up a campus in China and expand its local headcount in the US.

The 63-year-old Kamath earned his stripes at ICICI Bank, where he aggressively went after growth (incidentally, the bank's first offsite ATM was installed at Infosys's Bangalore headquarters). By the time he stepped down in April 2009, ICICI Bank's transformation into a financial services powerhouse was complete. "Kamath is an aggressive manager who likes to be in the top three positions in any market," says Vikash Jain, Partner, Everest Group. "Infosys will want some of this aggression to rub off onto its managers."

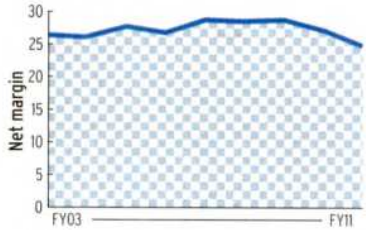
The man himself is clear he will not interfere with the management of India's second largest software exporter. "I would say, you are available as a sounding board for executive management... It is not a daily oversight of management at all," he told BT in Mumbai days after his appointment (See *"We will have a new-look board"*). "I have been quietly mentored by Murthy for the last 15 or 16 years," he said at a press conference in Bangalore.

Current CEO Kris Gopalakrishnan bristles at the suggestion that the engine of Infosys has broken down and needs replacement. "We are committed to our PSPD model (predictability, sustainability, profitability and de-risking)... We grew at 26 per cent last year and we can sustain this," he says. "We considered many leadership models, but agreed that this one [Kamath as a non-executive chairman and Gopalakrishnan as co-chairman] is best suited to Infosys today." In his new role, Gopalakrishnan, 56, is expected to mentor eight to 10 key accounts for Infosys, spend more time with senior managers and provide guidance to his successor Shibulal. "Nothing is permanent in this world," says Gopalakrishnan. "But I have no plans of leaving the company early."

By August, Infosys will have only two of its seven co-founders left in the executive management of the com-

MIND THE MARGIN

Infosys has forecast its lowest margin since 2003



Margin in %

Source: Company

TACKLING VIRUSES

Kamath needs to make some tough choices for Infosys

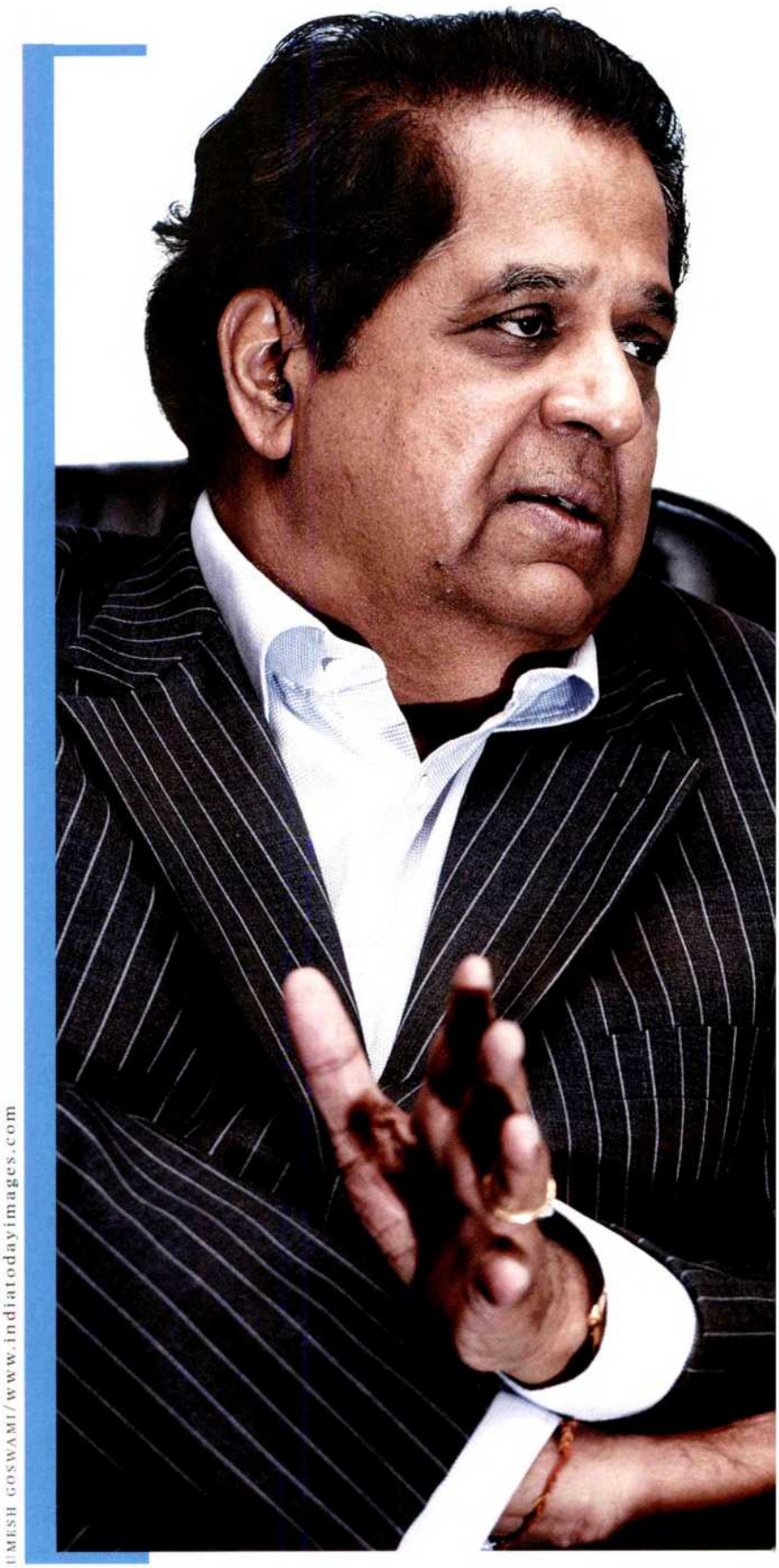
1. Add a dose of aggression to an over-cautious company bent on protecting the legacy of its founders
2. Take a decisive call between margins and market share. Infosys seems stuck between the two currently
3. Highlight new talent and thereby prove that the company is truly a meritocracy
4. Be willing to aggressively fight rivals for game-changing acquisitions

pany they founded in 1981. "These people were professionals first and founders second," says Kamath. "They took great care and pains to make sure they did not stand anywhere in preference to professionals."

Even as the founders fade out, there is enough evidence to suggest that a close-knit group of managers hold the reins and there are few fresh faces emerging at the top. The vertical heads are in charge of multiple businesses and units – B.G. Srinivas, for instance, heads European operations and manufacturing, while Ashok Vemuri heads North American operations, financial services, banking and insurance, and now healthcare as well – and this has caused anxiety in the ranks. "Infosys has a much-hyped succession management strategy," says one former assistant vice president requesting anonymity. "But it is hard to see yourself going beyond a point with founders and veterans holding so many positions." This has not escaped the attention of analysts either. "It is possible that the multiple responsibilities could be affecting the functioning of one or two portfolios under their charge," Viju K. George, Executive Director of JP Morgan, wrote in a report issued in March.

Infosys needs to act quickly in a rapidly evolving market. According to a survey by tech researcher Gartner, no IT service provider holds more than 10 per cent share in the overall market, even though India-based vendors grew 18.9 per cent in a market that grew barely three per cent. "India-based vendors increased their share from 4.8 per cent in 2009 to 5.5 per cent in 2011," says Dean Blackmore, Senior Research Analyst at Gartner. Further, customers are increasingly splitting up contracts and Infosys needs to get comfortable in this multi-vendor arrangement, say analysts such as George of JP Morgan.

In this environment of churn, it will be up to Kamath and the management to prove that Infosys is well prepared for the long haul. ◆



UMESH GOSWAMI/www.indiatodayimages.com

INTERVIEW K.V. KAMATH

"We will have a new-look board"

K.V. KAMATH, *the newly named chairman of Infosys, sits at a narrow desk in his office at ICICI Towers in Mumbai's Bandra Kurla Complex. It is the ICICI Bank chairman's office, and was occupied till the other day by N. Vaghul, Kamath's mentor and predecessor. "Vaghul never had a desk; at least I have one," says Kamath, insisting that the two-feet wide table-top is all he needs. It has a dozen odd Ganapati idols on it, apart from Kamath's laptop. Excerpts from an interview with* **SUMAN LAYAK:**

On the transition at Infosys: Infosys is at the start of a transition. You have seen a few professionals who started the company and then left, and some more leaving. In early June, three new executive directors are coming on board from the internal slate. The board is being formed as we speak. New expertise is coming and the nominations committee is working on that. We already have two new faces — R. Seshashayee [of Ashok Leyland] comes with an auto background and Ravi Venkatesan [formerly with Microsoft India] from software but with diverse engineering experience before that. In the next 12 to 18 months, we will have a new-look board at Infosys.

On his own role: I think the chair's position is more of understanding. To make sure that you understand what is being done at the board level, you need to have a better understanding of what is being done at the company level. I would say you are available as a sounding board for the executive management. That is from my experience at ICICI. I see that as one role I can play.

The other thing could be if there are certain deliberations that we need to prepare for the board – to basically think about them and discuss them. It is not a daily oversight of management. The co-chair's position is an executive one and the primary functions would be client relationship for a select set of clients and building the Infosys Leadership Institute.

On Infosys founders succeeding one another to the top positions: These people were professionals first and founders second. They came out and set up this company as professionals – they invested their savings

Selected audio of the interview at www.businesstoday.in/kamath

and built a professional company. But they took a great degree of care to make sure that as founders they did not stand anywhere in preference to professionals. So, in a way they subjugated themselves to professionals. I think that brings them enormous respect. The second point here is meritocracy. What has happened about selection of leaders till now is a merit-based process and that is how it will be going forward.

On N.R. Narayana Murthy: I first got to know him when I was a student at IIM Ahmedabad and he was working at the lab 41 years ago. But our real association started in 1996 when I came back to India and when he joined the ICICI board. As Infosys's chairman emeritus, he has said he is available for anyone to go and have a talk. I feel it means he would be a friend, philosopher and guide. And given his long experience in this business, and in building this company up, he would be a welcome friend, philosopher and guide.

On Infosys not being the 'technology bellwether' any more: Infosys is a positively aggressive company. There is a positive streak and the company has been a trendsetter all along. Its strategy on tapping the markets, US listing and conforming to the US GAAP (Generally Accepted Accounting Principles) standards for declaring results has been ahead of others. It has also been a changing business model. The application-development-maintenance model would account for 90 per cent of its business 10 years ago but now it is 45 per cent. There is also a clear strategy on margins. It is playing to a game plan. It has weathered a huge amount of turbulence. Infosys will position itself to meet whatever challenges crop up. There has been a clear articulation of strategy on how it will reposition itself going forward and the execution of that strategy has already commenced.

The morale in the company: Sensing the mood of the company is not a small dip-stick. It is an exercise that the company management will do. But whenever you show continuity and performance, the mood improves. I don't think in terms of performance Infosys will lag. Clearly articulating the way forward in terms of leadership structure will create a lot of enthusiasm. The way I look at it is: in none of these is the company behind the curve. Most of these changes will be happening with Murthy retiring in August. So action is being taken well ahead of the curve. ◆

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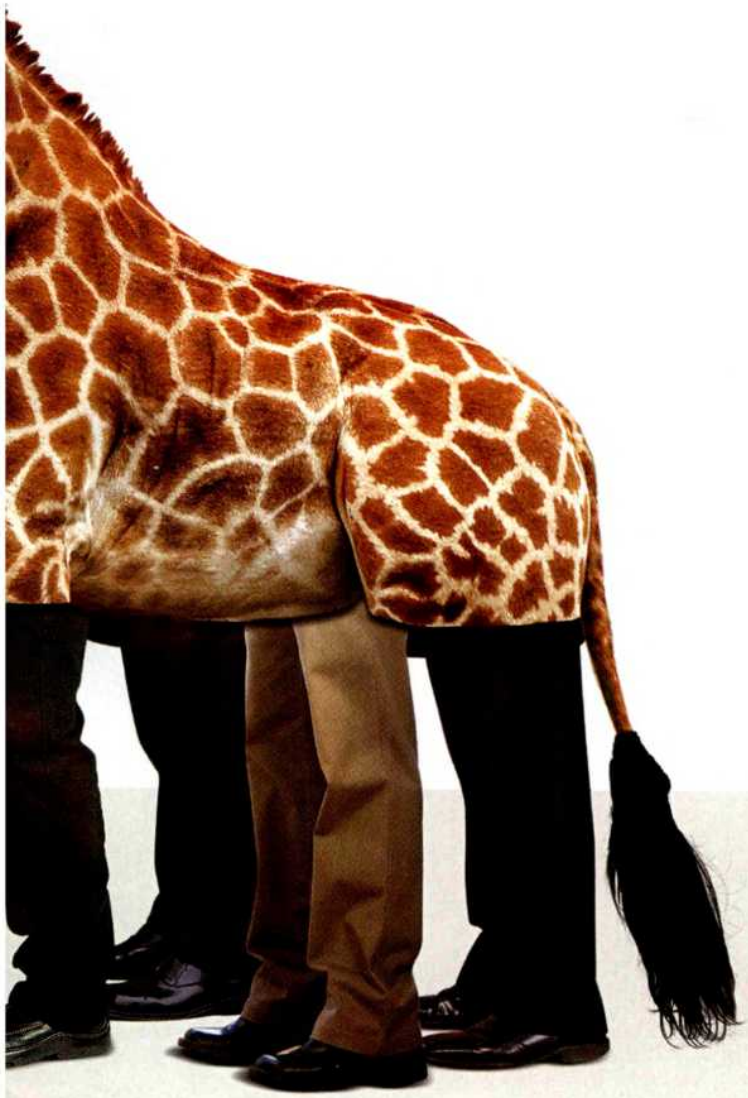

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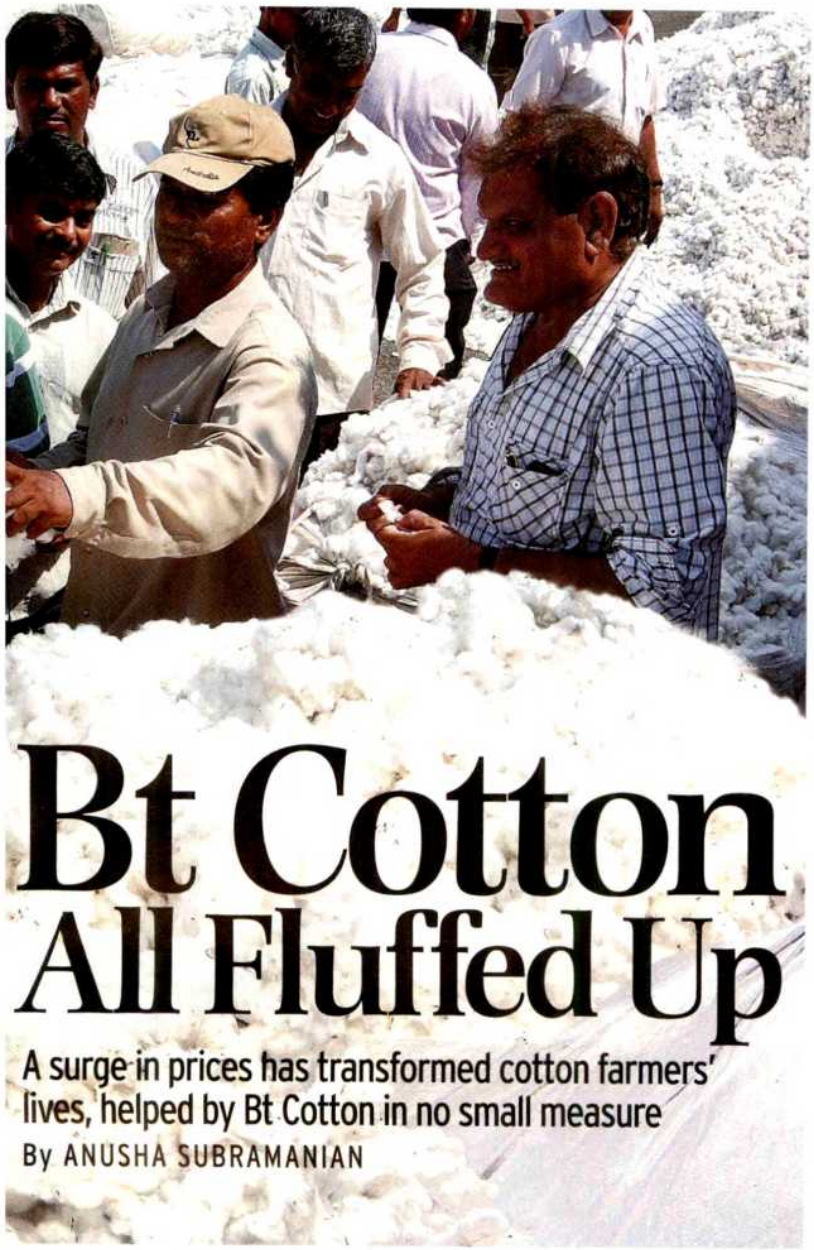
Eager to buy: Farmers at a cotton auction in Rajkot Market Yard

On a hot afternoon late in April, about a dozen of cotton farmers at Halvad tehsil in Gujarat's Surendranagar district, 160 km southwest of Ahmedabad, are busy cleaning their fields and tilling the soil. The sowing season will begin from the middle of May and most farmers are anticipating the hybrid Bt (Bacillus Thuringiensis) cotton seeds will, like last year, yield a bountiful harvest again.

Ashwin Babulal, a 27-year-old in the group, has been farming Bt cotton since 2003. His cotton cultivation on six acres has given him much higher yields – around ₹40,000 each acre – apart from reducing his expenses on pesticide by ₹4,000 per acre. The increased income over the past eight years has helped Babulal build a new house and buy a ₹3 lakh life insurance policy for his family.

Jethabhai Manjibhai Patel, 56, is one of the biggest farmers in the tehsil. He has been cultivating Bt cotton on his 128 acre farm since 2005. Higher yields and income from Bt cotton crops have vastly improved his standard of living. He has invested in a drip irrigation system, built a huge *pucca* home for his large family of 20 members and is educating his grandchildren.

Babulal and Patel are not isolated examples. In about a decade since its introduction in 2002, after much initial controversy, Bt cotton



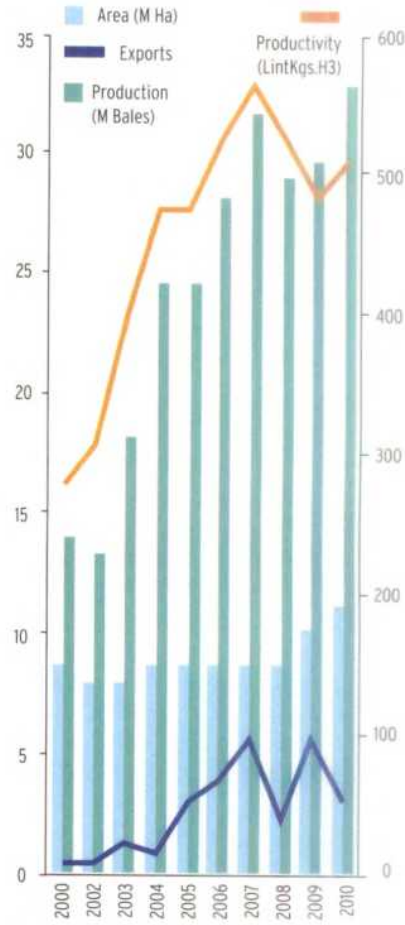
Bt Cotton All Fluffed Up

A surge in prices has transformed cotton farmers' lives, helped by Bt Cotton in no small measure

By ANUSHA SUBRAMANIAN

Rich Harvest

Cotton production has more than doubled in eight years



Bt Cotton was introduced in 2002

Source: Cotton Advisory Board

has transformed farmers' lives in major Bt growing states like Gujarat, Maharashtra, Punjab and Andhra Pradesh. Today about 60 lakh farmers across the country are planting high-yielding biotechnology seeds and along with improved agronomic practices, have ushered in India's cotton revolution.

India's cotton production has doubled to 30 million bales between 2002 and 2010. Yields have gone up 57 per cent per hectare and area under cultivation has increased 40 per cent to 11 million hectares. India has now become the world's second largest producer and second largest exporter of cotton (behind China). "Indian farmers are astute determinants of value based on quality of yield, fair price, and convenience." says Dilip Sanghani, Gujarat's Agriculture Minister.

Most farmers assert that the cost of cultivation per acre has almost halved.

The seed price control by Gujarat and some other states like Maharashtra over the last two years has also encouraged farmers to shift to Bt cotton. It has ensured better profit margins.

The surge in domestic cotton production is also fortuitous. It comes at a time when cotton prices have soared globally due to supply side bottlenecks – largely due to falling production in China, the largest producer and exporter of cotton. In

CALCUTTA CENTRAL

WINDFALL

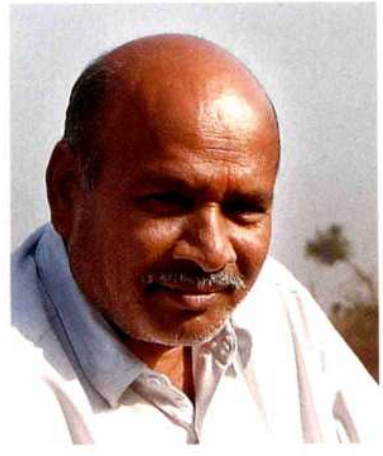
- Bt cotton has improved yields for 60 lakh farmers by over 70 per cent ensuring a big jump in India's cotton production
- Insecticide use by farmers has decreased by a steep 20,000 metric tons annually reducing health concerns and boosting farmer incomes
- Bt cotton farmers have vastly improved standard of living. Majority of farmers enjoy better lifestyles and have repaid their long-pending debts

the last one year alone, international cotton prices have trebled – from 80 cents (₹36) a pound to 230 cents (₹103). In kilogram, that translates to ₹79 a kg and ₹226 each.

According to a recent US Department of Agricultural report, "Declining area and weather-related problems reduced production in China to 30 million bales, a five-year-low... China's ability to make up the supply short fall with imports is constrained by the availability of foreign exportable supplies," it says. The Chinese government's cotton reserves fell to a 15-year low in 2009/10.

Farmers, though, complain that volatility in domestic prices, which largely mirror global trends, has become endemic. This is a fallout of the government's decision to put a cap on cotton exports at 5.5 million bales – about 17 per cent of India's production – which often leaves farmers saddled with additional stocks. Hardeo Singh Jadeja, Vice Chairman of the Agricultural Products Marketing Committee, Rajkot Cotton Market Yard, explains: "In October 2010 the price was ₹925 per 20 kg. Many farmers sold their produce then. Later, in February this year, the price shot up to ₹1,400 per 20 kg and now it is hovering around ₹1,100 to ₹1,200 for good quality cotton."

Meanwhile, the seed industry is struggling to meet the vaulting seed demand of farmers. M. Ramasami, President of National Seed Association of India, or NSAI, says: "High labour costs and price control have hurt the industry." Since seed prices are also controlled, the NSAI is demanding an increase in cotton seed price in Andhra Pradesh, Gujarat and Maharashtra arguing that the correction would help the domestic seed industry engage 17 lakh farmers and farm labourers needed to produce good quality cotton seeds and encourage investments in research and development for new hybrid and seed technologies. The Gujarat government has raised seed prices by about 25 per cent. Maharashtra may follow suit.



"Farmers' lives are improving. Many are paying back their debts, investing in insurance and their children's education"

Jethabhai Manjibhai Patel, Farmer

The domestic textile industry is expect to treble in value to $100 billion (₹460,000 crore) by 2015 on the back of India's growing population, higher disposable incomes, rising retail and brand penetration. It is expected that cotton farmers need to produce at least 50 per cent more within the next decade. "Cotton fabric is the most accepted fabric. The demand for cotton will continue to grow," says Kishore Biyani, Group CEO, Future Group. This means farmers will need better seeds and improved farming practices to meet the increasing cotton demand. India needs to sustain its cotton revolution. This may be just the beginning. ◆

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PENALTY CORNER

The RBI penalises top banks which sold exotic forex products to consumers who did not understand them. By SUMAN LAYAK

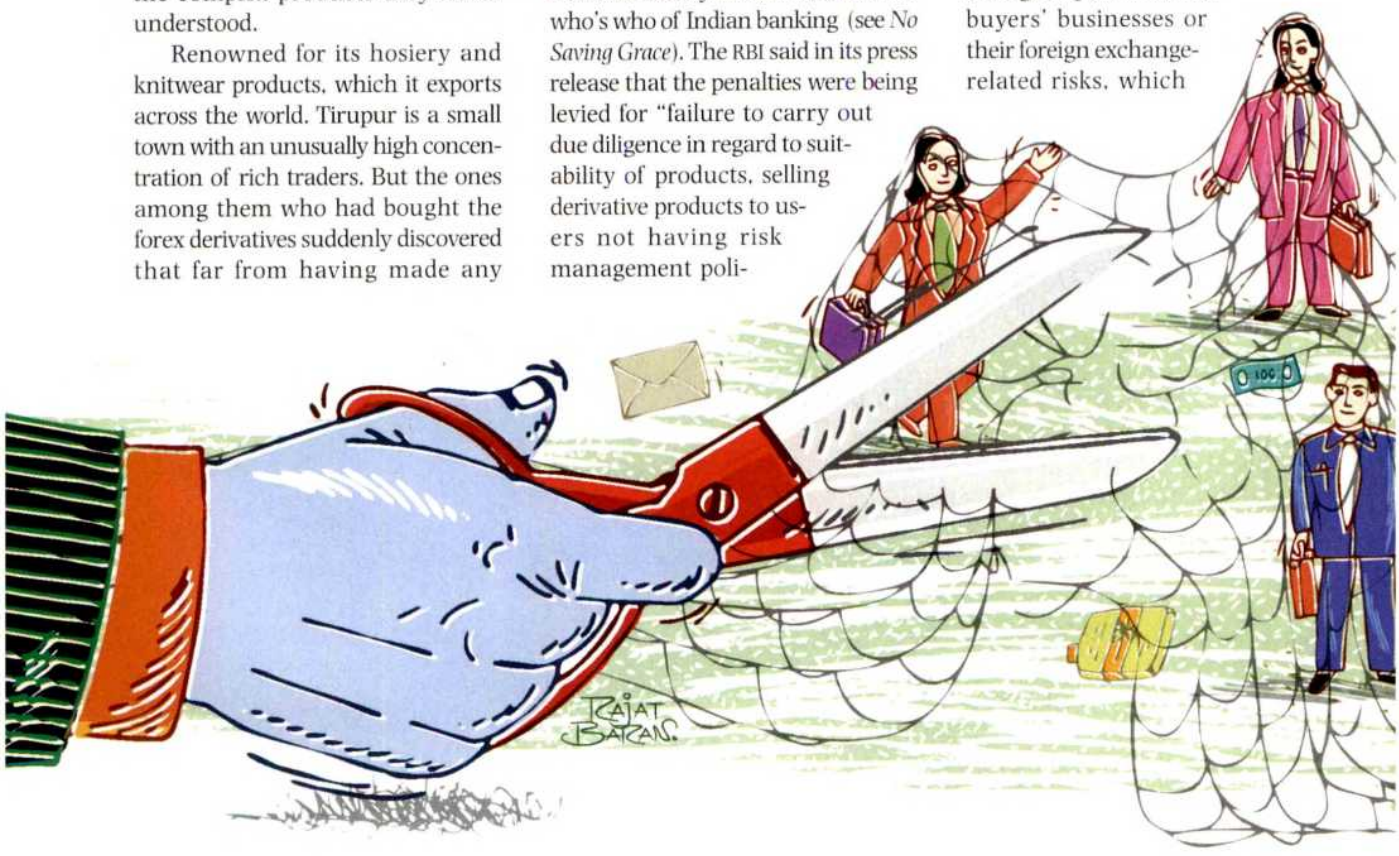
Subramanian Dhananjayan, a chartered accountant in Tirupur, Tamil Nadu, had a busy second half of April, advising members of the Forex Derivatives Consumers' Forum from all over the country. The forum had been first set up by small companies based in Tirupur, who had bought exotic derivative products in 2007 from different banks and were trapped in the not-so-fine print of the complex products they never understood.

Renowned for its hosiery and knitwear products, which it exports across the world, Tirupur is a small town with an unusually high concentration of rich traders. But the ones among them who had bought the forex derivatives suddenly discovered that far from having made any money, they now owed crores to the banks. They also found they were not alone. Entrepreneurs from across the country came clamouring to join the forum, as banks got after them, seeking settlements.

"Now we know why the banks were so keen to settle the disputes," says Dhananjayan, referring to the April 26 decision of the Reserve Bank of India to levy a penalty on 19 banks for selling such products. The list of banks named by the RBI reads like the who's who of Indian banking (see *No Saving Grace*). The RBI said in its press release that the penalties were being levied for "failure to carry out due diligence in regard to suitability of products, selling derivative products to users not having risk management policies and not verifying the adequacy of underlying and eligible limits".

Forum members have been sufficiently emboldened to say they will file claims for damages.

The forex derivative products were essentially contracts signed between the banks and the companies, taking bets on different global currencies like the Swiss franc, the Japanese yen and the euro, without any assessment of the underlying foreign exchange exposure of the buyers' businesses or their foreign exchange-related risks, which



were mostly US dollar-linked.

The products were also sold not as risk management products but as schemes that could add to the profits of the companies. While the first few months brought in some profits, as international currency market trends turned, the contracts started to clock losses. The banks' losses were limited within the contract. But the buyers' losses had no limits and quickly ran into crores. In a nightmarish spiral, the banks reported them to the Credit Information Bureau as defaulters, which led interest rates on their existing loans being increased and practically snuffed out their chances of getting future loans.

"We were ignorant and the banks took advantage of us. Luckily, we could organise ourselves," says Raja Shanmugham, president of the forum, who acknowledges the support of Swadeshi Jagran Manch activist S. Gurumurthy.

E. Palanisamy, an entrepreneur whose company Armstrong Knitting Mills had run up a debt of ₹27 crore, says banks are now ready to settle for much less. "They were earlier asking me to pay 40 per cent of their claim," he says. "Now they are asking for 30 per cent only. But after the RBI decision, I will not accept it."

NO SAVING GRACE

The banks the RBI hauled up seems to include everybody

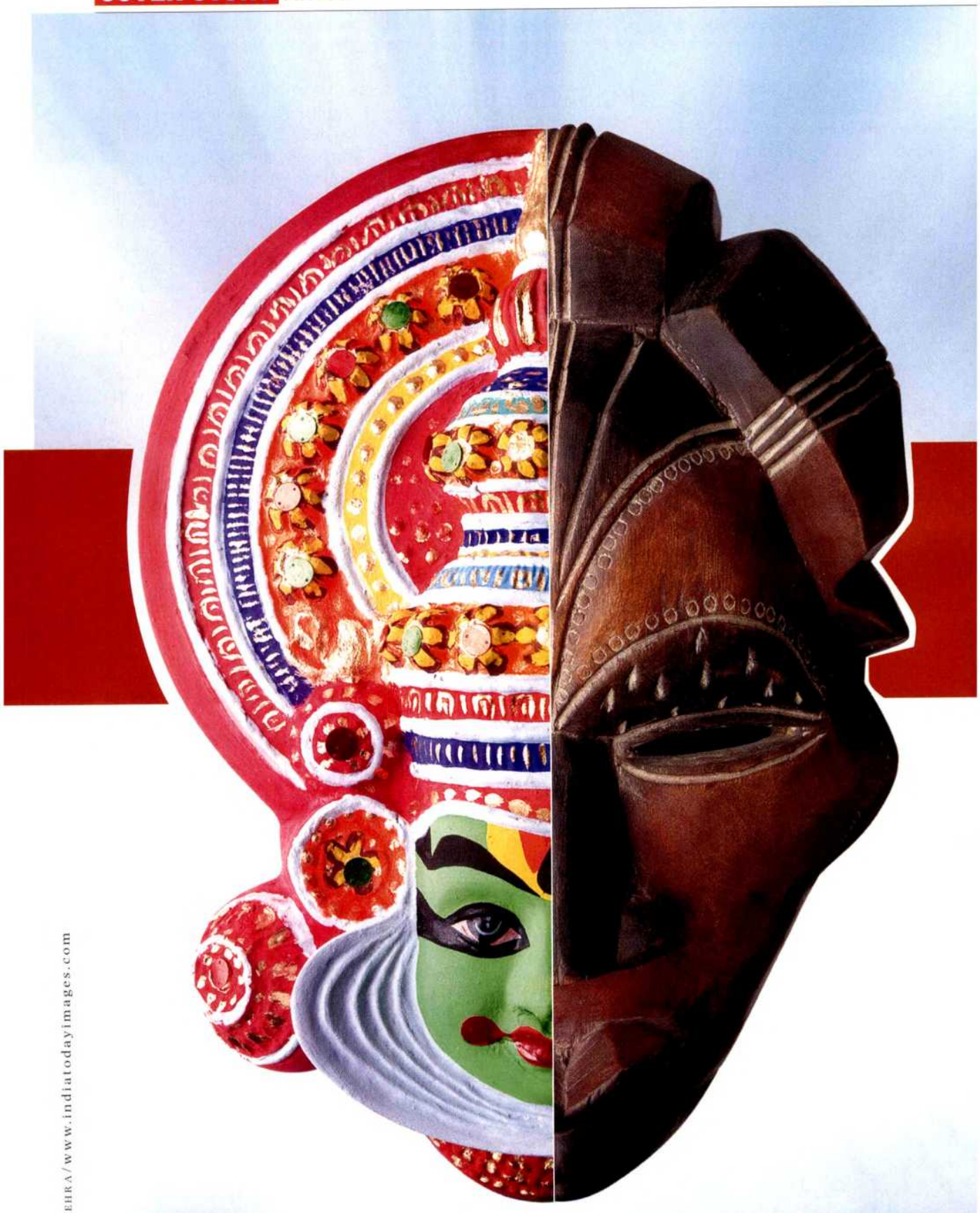
Axis Bank Kotak Mahindra Bank Barclays Bank HDFC Bank ICICI Bank YES Bank	PENALTY 15 LAKH
Development Credit Bank BNP Paribas Citibank State Bank of India Credit Agricole-CIB ING Vysya Bank Royal Bank of Scotland Standard Chartered Bank	PENALTY 10 LAKH
Bank of America DBS Bank Deutsche Bank HSBC JPMorgan Chase Bank	PENALTY 5 LAKH

Source: RBI

"Men in suits and ties came to Tirupur from big cities to sell us these products," he adds. "They have now run away, and local branch officials are trying to find a way to settle."

Meanwhile, following a public interest litigation filed by a Cuttack-based taxation expert, Prabhanjan Patra, the Orissa high court has ordered a Central Bureau of Investigation probe into the forex derivatives. The banks, through their associations like the Fixed Income Money Markets and Derivatives Association of India, and the Indian Banks Association, have appealed against the order in the Supreme Court. The appeal is still pending. "The banks have lined up the top lawyers of the country," says Manoj Kumar Mishra, who represents Patra. "But the RBI decision had substantially strengthened our position."

The plight of Tirupur's traders has also attracted media attention in South Korea, where a similar product called the Kiko wreaked havoc in the nation's small scale sector. The Kiko — or kick-in kick-out contracts — were suspended by Korean courts in 2009. Over 500 Korean companies had recorded a total loss of $1.2 billion on these contracts till 2008, with many filing for bankruptcy.◆



VIVAN MEHRA/www.indiatodayimages.com

This Time for Africa

As corporate India slowly wades into Africa, it discovers a continent full of opportunity, peril and the Chinese. By KUSHAN MITRA with RAJIV BHUVA

The runway at Kinshasa's N'Djili airport is not the smoothest in the world, and as the big Boeing glides over the threshold on a sunny April morning, the wreckage from an air crash just the day before is there for all to see. Guarding what remains of the crashed Bombardier CRJ-100ER jet are several blue-helmeted United Nations soldiers. All of them are Indians from the Indo-Tibetan Border Police, some of several thousand Indian troops across the vast expanse of the Democratic Republic of Congo in central Africa.

A decade ago, that would have been that. Thousands of Indian and Pakistani troops working side-by-side earning foreign exchange in a troubled part of the world, an undiscovered continent where tribal wars and poverty still thrived. It is not as if the wars have ended, the Ivory Coast was in the endgame of a brutal civil war in April. But things are changing.

Step out of the Kinshasa airport complex and Indian visitors are greeted by a huge hoarding bearing the familiar red-and-white signage of Bharti Airtel, India's biggest phone firm. Just that it is in French. And then driving down the Chinese-built highway into the city, there are more signs of Indian business in a country that is 10 hours flying time from Mumbai: Mahindra Scorpios and Tata Motors buses, occasional but not rare.

In shops across the continent, the India story is playing out. Emami's 'Fair and Handsome' fairness cream for men and Dabur hair care products vie for space on shop shelves with drugs by Lupin, Dr Reddy's Laboratories and Ranbaxy. Bajaj-made bikes, NIIT training classes, Lava mobile phones and Godrej soaps are increasingly in demand in several countries in much of the continent. And even Kirloskar pumps, a brand whose name has become a generic term for pumps.

This is the new frontier for global businesses and Indian companies are not going to be left behind in the gold rush to prime their growth and

resources to fire their factories. Indian companies, be they in agriculture, telecom, retail, infrastructure or pharmaceuticals, see Africa as the pot of gold at the end of the rainbow. To be sure, companies such as Kirloskar and those from the Tata group have been operating, maybe relatively quietly, for decades and India's connections with the continent go back further still – to the large Indian Diaspora and the political ties from the days of the Non-Aligned Movement.

The size of the African opportunity is astounding, a continent of 53 countries (soon to be 54 when South Sudan comes into existence) and a population of over a billion people. Its gross domestic product, or GDP, counted around $1.6 trillion in 2008, the latest year for which the World Bank has compiled data, with $860 billion worth of consumer spending. A June 2010 study, *Lions on the Move*, by the McKinsey Global Institute predicts that Africa's GDP will be around $2.6 trillion in 2020.

A big chunk of that growth will come from mining natural resources: from the oil wells in Sudan and the copper mines in Congo, to uranium in Niger, coal in Mozambique and ferro-chrome in South Africa (see *Out of Africa*). McKinsey, a consulting firm, points out that almost a quarter of economic activity in the 15 countries that make for 85 per cent of Africa's GDP, is accounted for by resources.

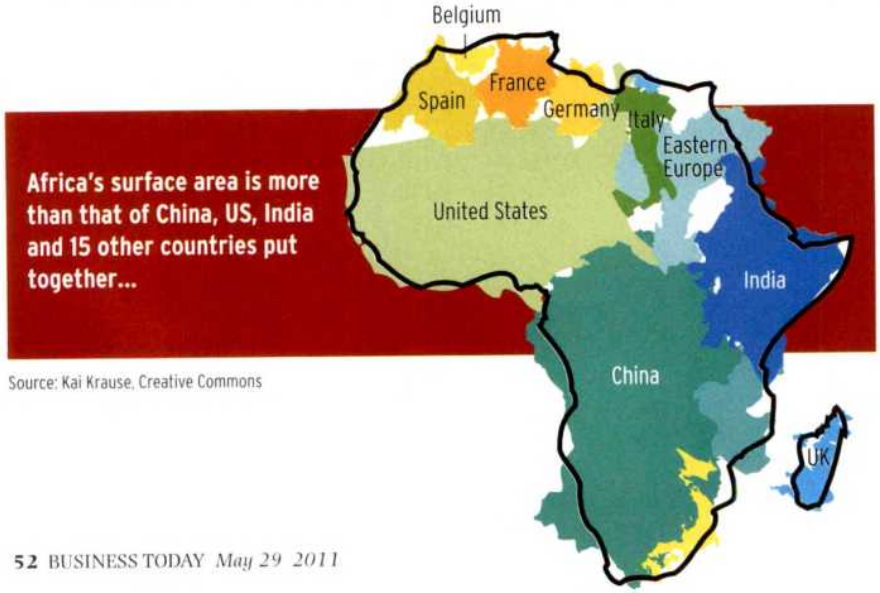
Indian-owned: Workers at Jose Prayaken's

There is little denying the one clear and present threat Indian interests and companies face: the Chinese, who are ahead from Algeria to South Africa, from Somalia to Senegal.

P.J. Botha, Vice-Chairman, African-Asian Society, a Johannesburg-based think-tank, believes that India did not leverage its strong political ties with Africa. "Compared to China, India was hesitant about investing into Africa. While India has opened up over the past decade, the Chinese have a 10-year headstart on India, especially when it comes to cornering

Africa in Perspective

Africa's size can be mind-boggling. The dark continent is home to a billion people and in terms of land mass, it is second only to Asia. As a market though, it is poor – the continent's GDP is just $ 1.6 trillion



Africa's surface area is more than that of China, US, India and 15 other countries put together...

Source: Kai Krause, Creative Commons

...And, the continent's population exceeds that of US, Indonesia and four other nations...

Total Africa Population:

1 billion

Source: World Development Indicators, IMF

uniform factory in Maputo, Mozambique

resources," he sums up. The Chinese, he argues, come with their state-owned enterprises, backed by the Chinese treasury. "They are not scared of failing, because there are no shareholders to account to."

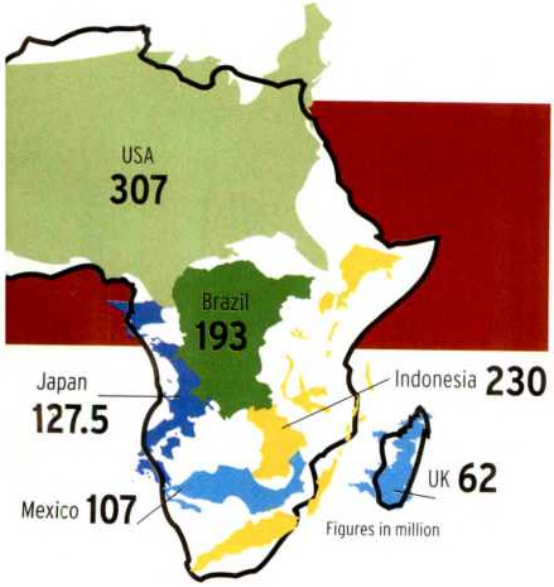
The opportunities have attracted the Chinese in hordes over the last decade with some estimates putting their number in Africa on business and work at over a million. Ethiopian Airlines' flights between Beijing, New Delhi and Addis Ababa carry twice as many Chinese as Indians. People talk in whispers of how "neo-colonial" the Chinese are becoming in their ambitions and are funding those in power – a charge that Botha describes is being spread by opposition politicians.

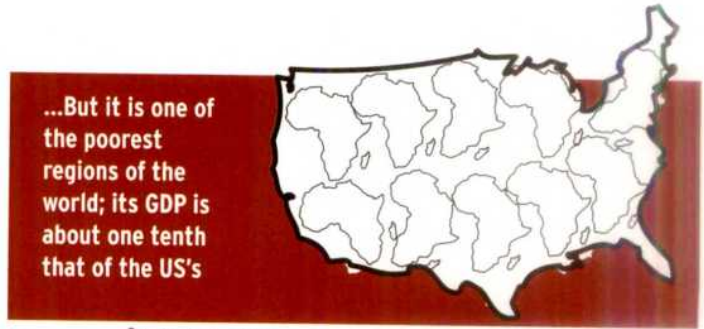
Even so, on the ground, the grumbling is no longer polite or local. An agreement to build roads, railroads, hospitals and universities in DR Congo in a $6 billion deal allowed the Chinese to operate mines with a potential of 10 million tonnes of copper and 600,000 tonnes of cobalt. The International Monetary Fund, led by French politician Dominique Strauss-Kahn, railed against the deal saying it would increase the central African nation's indebtedness. This further incensed African countries against the 'colonial' mindset of the West. Oldemiro Baloi, Foreign Minister, Mozambique, said almost as much at an April meeting with Indian journalists in Maputo: "It appears that the West is jealous of China and India and they see Africa moving away from their sphere of influence."

But should China and India be even referred to in the same breath? Not quite. Indian High Commissioner to South Africa, Vijender Gupta, has a telling point. "While we have given a $250 million line of credit to African countries, the Chinese have over $5 billion to spend, and the fact of the matter is that money talks." In Mozambique, for example, Indian company Jaguar Overseas, part of the O.P. Jindal Group, is constructing its first building in a science and technology park in Manhiça with a $25 million line of credit from the Export-Import Bank of India, or Exim Bank. Back at capital Maputo, a glistening new airport terminal has been financed three times as much by the Chinese Exim bank.

Still, there are some toeholds Indians have in Africa. ONGC Videsh has invested $2.5 billion in Sudan oil fields, the future of which seems secure now after an initial scare when Sudan split into two in a referendum

At 4.9% compound annual growth rate of its GDP, Africa is the world's third fastest growing region





USA **$14.1 trillion**

Africa **$1.6 trillion**

Source: World Development Indicators, IMF

AFRICA TODAY

- Total population: **1 billion**
- Population under 15: **41%**
- Adult literacy: **62%**
- GDP income per capita is **10th** of world average
- Around **45%** living on $1 a day
- Mobile phone subscribers: **37%**
- Population in urban areas: **40%**
- Collective GDP (2008): **$1.6 trillion**
- Combined consumer spending (2008): **$860 billion**

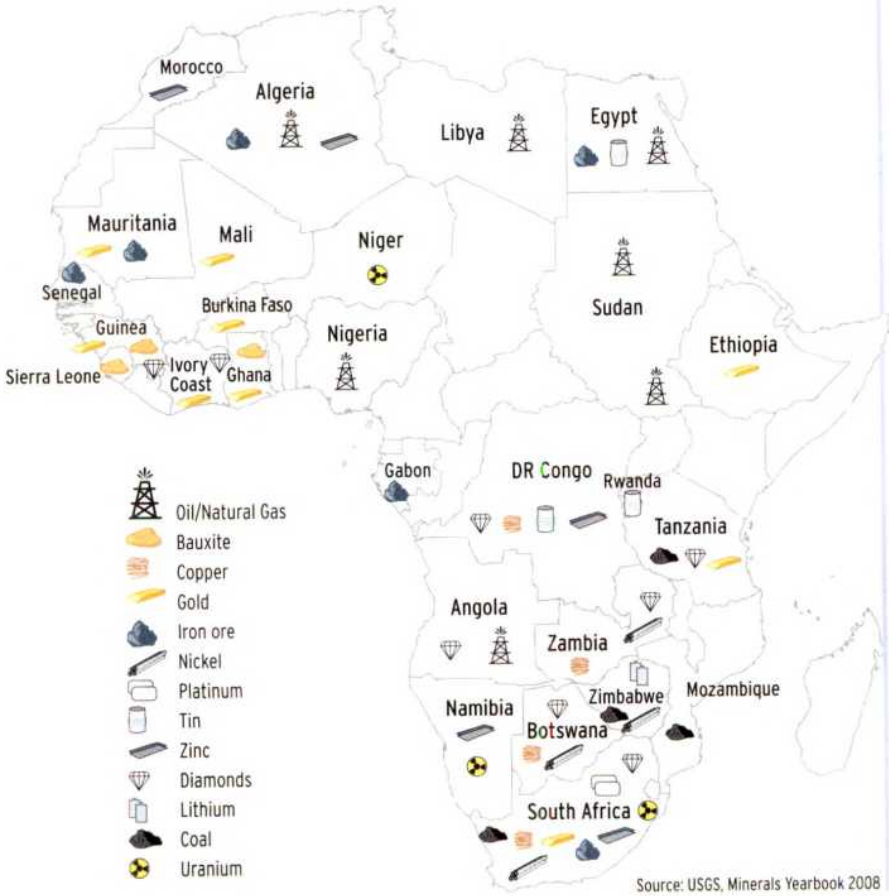
AFRICA TOMORROW

- Total population: **1.4 billion** by mid 2025
- Total population: **2.1 billion** by mid 2050
- **128 million** households with discretionary incomes by 2020
- Consumer spending will be **$1.4 trillion** by 2020
- Collective GDP will be **$2.6 trillion** by 2020
- Around **47%** of Africans will be living in cities by 2025

Source: Ernst and Young

Out of Africa

The continent is resource-rich and presents tremendous scope for growth



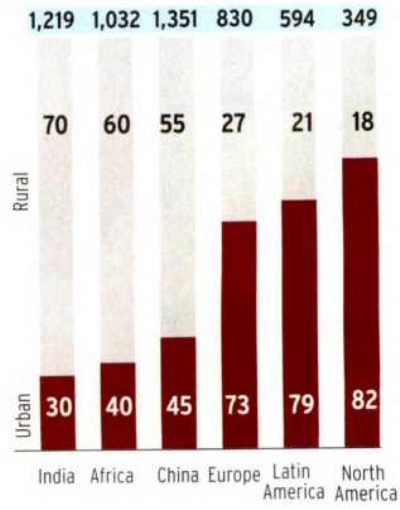
Source: USGS, Minerals Yearbook 2008

earlier in 2011. Besides its coal mines in Mozambique, Tata Steel has a massive ferro-chrome facility near Durban, South Africa. Tata businesses in Africa also include telecom, hotels and others – all of which, at last count, totted up to some $600 million in revenues for the group. Essar's Firdhose Coovadia, Resident Director, Africa and Middle East, says: "Africa can provide access to raw material and new markets/consumers for some of our existing businesses." Indian power and steel companies such as Coal India, Steel Authority of India, Tata Steel and JSW Steel are importing coal from both South Africa and Mozambique by shiploads to fire thermal power plants and steel blast furnaces.

There are other opportunities in Africa in which Indian businesses are uniquely placed to take advantage of given that they have dealt with them back home in India. Health, for instance. Infant mortality in countries such as Sierra Leone is as high as 123 per 1,000 births and average life expectancy elsewhere, say, in Zimbabwe, is just 45 years. For many then, Africa could be the emerging India market equivalent in pharmaceuticals in the

Africa is almost as urbanised as China and has as many cities of 1 million people as Europe

Rural vs. urban population by region, 2010 (%)
Total population (million)



next decade as the demand profile there transitions from retrovirals to treat HIV/AIDS and antibiotics, to drugs to treat diabetes or cardiac disorders. Paul Anley, Founder and CEO of Pharma Dynamics, majority controlled by Lupin since September 2008, estimates the market for generic drugs – the Indian pharmaceutical industry's mainstay – in South Africa alone at $4.5 billion today, up from $1.4 billion in 2001.

Indians are stepping into infrastructure businesses they have excelled in. Wired phones and Internet connections are few and far between in sub-Saharan Africa and, although the continent has some 600 million mobile phones, companies such as Bharti Airtel are driving in full thrust in the 16 African countries they operate in. In early 2010, when it was buying Zain's operations there, Manoj Kohli, now head of Bharti Airtel's African operations, told *Business Today* of the massive opportunities in Africa. "Tele-density in large parts of Africa is below 25 per cent, there is a lack of landline telephones and mobile calling rates are incredibly high." The idea, he said, was to take Bharti Airtel's operating model in India of outsourcing everything – from network to towers management, from billing to customer service – on a pay-on-use basis to Africa. The model has helped it make operating profits of 30 per cent on customer billings of as low as ₹100 a month in India. In contrast, in some parts of Africa, phone users pay $18, or at least ₹800, a month.

Then, there are infrastructure projects that are increasingly not headed the way of Chinese companies. R.B.S. Singh, head of engineering firm L&T's African operations, believes that the infrastructure build-out required for Africa will be so big that the Chinese cannot swallow it all. "It is not just the Chinese who are coming here, the Brazilians, French and British are also vying for contracts, and we are interested as well."

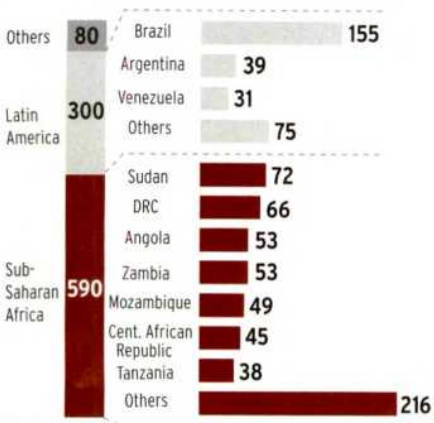
Air travel in all but a few African countries is conducted on older aircraft that have retired from Western skies. Often travellers between different countries in west and even central Africa have to route their tickets through Paris. Transport and telecom account for about one-tenth of Africa's GDP and are growing at nearly eight per cent annually, according to McKinsey, but they will have to grow faster for many years to meet the demand. Likewise with wholesale and retail, agriculture, manufacturing, banking and utilities. (See *Land of Opportunity* on pg 62.)

"Africa today is where India was 40 years ago. In the coming decade, Africa will drive growth for the global markets," says Sai Ramakrishna Karuturi, the chairman of the

In Liberia 94.8 per cent of the population lives within $2 per day; in Burundi, 93.5 per cent

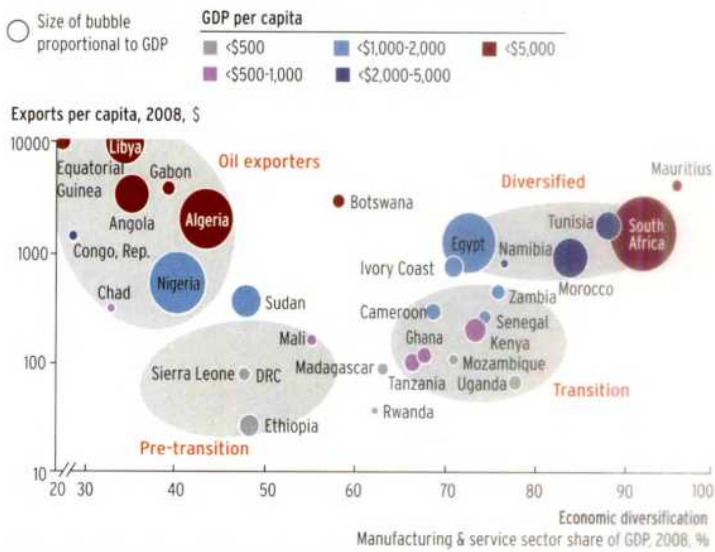
Africa possesses about 60 per cent of the potentially available cropland in the world

Additional available cropland, 2009*
Million hectares



*Cropland defined as land producing output greater than 40% of maximum yield under rain-fed conditions, excluding forest areas.

Diversified economies, oil exporters will lead Africa's growth



Note: Only countries whose 2008 GDP was approximately $10 billion or greater, or whose real GDP growth rate exceeded 7% over 2000-08 included. 22 countries that accounted for 3% of African GDP in 2008 excluded.

Source: McKinsey Global Institute, Lions of Africa, 2010

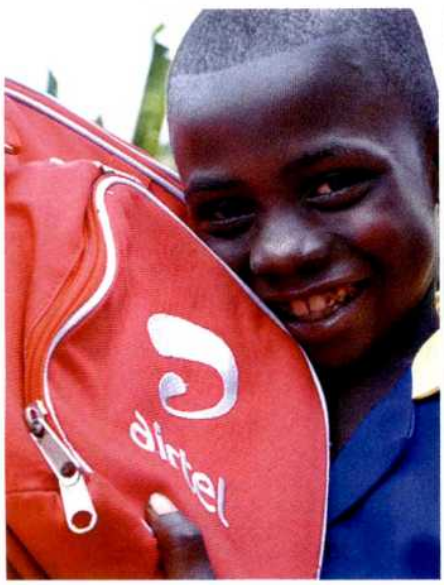
Bangalore-based Karuturi Group, the world's largest exporter of cut roses, who has made Ethiopia his first home – he spends two weeks a month there. Ethiopia today accounts for 90 per cent of the group's business (₹450 crore in April-December 2010), up from 15 per cent five years ago. But a bigger opportunity beckons: McKinsey estimates Africa has 60 per cent of the world's uncultivated arable land, making it ripe for a green revolution of the kind that changed Brazil and large parts of Asia. Karuturi seems to have its plans lined up. It expects to have 100,000 hectares of land under cultivation in Ethiopia by the end of 2011 growing paddy, palm and sugarcane, with another 665,000 hectares under lease from the Ethiopian government. In all, that is farmland roughly 12 times the size of the city of Mumbai.

The fertility rate in Niger (7.1) is the highest in the world. Africa's population will double to 2 billion by 2050

Market entry strategies, though, are easier discussed in a cigar lounge than executed. It can be a long wait. "It takes time to develop a company in Africa. One cannot come into Africa and expect to be big overnight, which is why we have been working here for so long," says Raman Dhawan, Managing Director, Tata Africa Holdings, the holding company for African interests of the Indian conglomerate. In the continent since 1977, mostly based in Johannesburg, he has watched apartheid, military juntas, civil wars and democratic elections run past as the Tatas shipped steel, software services and, yes, the ubiquitous Tata truck to Africa.

At around 600,000 vehicles a year, the South African car market is much smaller than India's, but Tata Motors and Mahindra & Mahindra have found success. Even Congo and Mozambique, much behind South Africa in development, have hit the spot for Indian car firms. This is despite the fact that Chinese cars are often cheaper – sometimes even more than used Japanese and European cars. "If you look at the manner in which the Chinese compete, competition is primarily on the price front. Chinese brands rose to prominence after 2000, wherein they literally priced everybody out of the market. But the 2008 downturn has exposed their shortcomings. Several manufacturers have folded up and are not even offering after sales service anymore," says Pravin Shah, Chief Executive, International Operations, Mahindra Automotive, which sold 3,500 vehicles in Africa last year.

Elsewhere, at Godrej Consumer Products, the African business already accounts for around 11 per cent and is expanding rapidly. "The velocity of growth is already in double digits and the African business will outpace that growth," says Shashank Sinha, President, International Operations. Since 2006, the company has made three acquisitions in Africa, spanning hair and personal



Brand building: Airtel handed out schoolbags in Ghana

Full support: The Airtel brass launch its new logo in Zambia. (From left) Manoj Kohli, Fayaz King of Airtel Zambia, Sunil Mittal and Akhil Gupta

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care products, and is charting distribution beyond South Africa and Nigeria into western, eastern and southern parts of the continent.

Even in DR Congo, a country with a per capita income of $160, Nokia and Samsung, rather than cheap Chinese brands, dominate the phone handset market. Ironically, some Indian brands that get their devices made in Guangzhou or Shenzhen are tasting success as African customers gravitate away from Chinese brands. The founder and director of Noida-based Lava Mobiles, S.N. Rai, says of Chinese brands: "They have little brand recognition, no customised applications and next to no after-sales service. Brand is very vital over here, because I feel the African market will evolve."

Per capita gross domestic product is as low as $160 in the Democratic Republic of Congo

As that evolution takes place, the case of Bajaj Auto, which sells its bikes and three-wheelers across Africa with the help of a Dubai-based distributor, is instructive. On the streets of Maputo, Bajaj RE three-wheelers are the local 'taxis' and on streets across Western Africa youth aspire for stylish motorcycles like the Bajaj Pulsar. To crack the 'bike-taxi' market – as in Goa and Bangkok, they use bikes as taxis in Lagos – the Pune company offered the bike-taxi operators a few weeks trial of Bajaj bikes. "They were amazed at the fact that our bikes didn't need a weekly oil change like the Chinese bikes and next to no weekly service or spares," a senior Bajaj group executive said recently, requesting anonymity.

But, this is not to say that Indian brands can expect smooth sailing. Case in point: Bharti Airtel's struggle to turnaround its Africa operations. The African unit narrowed its losses in the January-March quarter to ₹87.8 crore from ₹2,160 crore in the preceding three months. But the effort to get the business to turn in millions in profits will take at least a few more quarters of hard work, as Chairman Sunil Mittal, who has been personally sucked into the transition, is discovering.

Part of that stretch comes from the paucity of talent in the continent. Bharti Airtel has had to parachute so many of its senior managers into Africa that gripes are often voiced at its Indian unit that the "generals are missing here". The talent crunch is good news for people like Vipul Prakash. The chief executive of recruitment firm Elixir has seen demand for professionals in African countries skyrocket over the past few years. "We have placed around 400 Indians mainly at middle management levels over the past few years," he says. "We are placing people from Sri Lanka and the Philippines as well."

Others like training firm NIIT are addressing this by setting up centres in six African countries with plans to expand further. NIIT has been taken aback by the demand. "In Nigeria, we had a scholarship exam, and the turnout was so large we filled up an entire

Crowd puller: An NIIT scholarship programme in Nigeria had so many applicants the company had to rent a stadium

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Toehold: Mahindra's offices at Centurion, South Africa

Déjà vu: A Tata bus wriggles through chaotic traffic in Kinshasa, DR Congo

By 2020, 128 million households in Africa will have more than $5,000 annual income

football stadium," says P. Rajendran, Chief Operating Officer. The news travelled west to neighbouring Togo. Rajendran was taken aback when in Delhi at a CII-Exim Bank meet on Africa late in March, Prime Minister Gilbert Fossoun Houngbo held him in a bear hug and said, "I want you in my country." For good reason: unemployment is high in Africa, which has 500 million people of working age (defined as between 15 and 64 by McKinsey).

Despite all such Indian investment pouring into Africa – a CII official expects it to top $25 billion in five years – few companies have actually taken advantage of India's single-biggest advantage in Africa: the Indian Diaspora there with roots dating back to 1860. Across the continent, Indians hold important positions in African society. Like Rashid Patel, a Gujarati from Baroda who moved to DR Congo with his young wife almost 40 years ago, and survived the purge against Indians initiated by dictator Mobutu Sese-Seko.

"After years of turmoil, there is peace now and all the children are going to school instead of carrying guns," he says at the wheel of his Scorpio, navigating the chaotic streets of Kinshasa. And business has never been better. Like many Indians in Africa, Patel runs several businesses, including ground handling services at N'Djili airport. New Delhi, looking for support on the ground, has made him honorary consul in Lubumbashi, DR Congo's second-largest city. It helps that such Indians have the confidence of the new ruling classes. And, because they speak the local language and employ locals, their relations with the local population are excellent. "I believe that I am a result of the Indian entrepreneurial spirit; wherever there is money to be made, we will end up there," says Patel, chuckling.

Further south in Mozambique, Jose Prayaken, a former Exim Bank employee in charge of southern Africa, represents a class of businessmen with mid-size empires. Prayaken's Mozambique Holdings makes police and military uniforms, collects road tolls, sells Mahindra and Ashok Leyland vehicles and is trying to establish a power plant. This Indian hailing from central Kerala works so closely with the local government that he is often a part of the official entourage on diplomatic trips. "Several of the Indian companies have waited too long to come to Africa, but it is better late than never," Prayaken says.

With Africa's consumers expected to spend over $1.4 trillion by 2020, Indian firms cannot afford to miss what is often called the last frontier in global business. No matter the continent suffers from a litany of problems and several of these are urban legends – corruption, crime, epidemics, dictatorships, tribal wars and piracy – a dogged push by companies, backed by a sustained Indian diplomatic initiative and the local Indian presence there, will help further Indian interests in Africa. China might be winning the battle but the war for Africa is far from over. ◆

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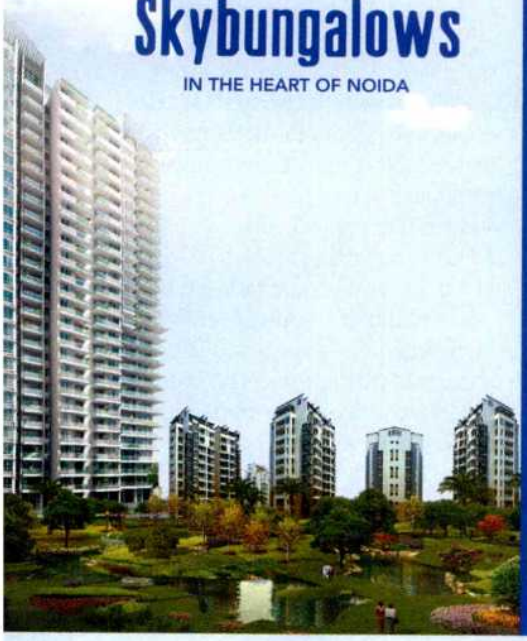

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Sugan Palanee

Land of Opportunity

The global investment paradigm is shifting from 'should one invest in Africa' to 'managing the risk of not being in Africa'. Africa appeals to potential investors for a host of reasons. Not surprisingly, natural resources have been the catalyst for Africa's growth. The continent has the widest range of minerals, from gold, platinum and diamonds to chrome, coal, cassiterite and coltan.

The continent has grown steadily at about 5.6 per cent between 2001 and 2008, thanks to a combination of structural economic and political reforms, stable macroeconomic conditions and increased foreign direct investment inflows – which quadrupled from just over $50 billion in 2003 to over $200 billion in 2008 – mainly from emerging economies.

For full text of column go to
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At the World Economic Forum, discussions revolved around how 40 African multinational corporations, labelled as African Challengers, outperformed the Nikkei 225, DAX 30 and the S&P 500 on revenue and profit margins between 2003 and 2008. The largest proportion of African Challengers is in information and communications technology, financial services and logistics, besides mining and natural resources. In short, investment opportunities in Africa are not just in natural resources.

Forty African multinational corporations outperformed the Nikkei 225, DAX 30 and the S&P 500 on revenue and profit margins between 2003 and 2008

Where most people see problems, the African Challengers saw opportunity. For example, even in Africa's largest economy, South Africa, at least 40 per cent of the population has no access to banking. In Nigeria and Kenya – the powerhouses of west and east Africa, respectively – the figure is much higher, over 70 per cent. So, in Kenya, for instance, Safaricom, as Vodafone is known there, developed a product, M-Pesa, to distribute banking services on mobile phones. The service has since been introduced in South Africa and Tanzania.

With less than five per cent of Africa's population having access to the Internet, innovative investors filled a lacuna to grow brands such as Celtel, which was taken over by Zain (whose Africa operations Bharti Airtel subsequently bought). Another African success story is South Africa's MTN, which grew into a pan-Middle East and Africa phone operator. Kenya Airways, Ethiopian Airlines, RwandaAir and Air Namibia are growing airlines purchasing several aircraft and introducing new routes within Africa, and between Africa and Europe.

Other sectors ready for investment include infrastructure, energy, agriculture, real estate, tourism, construction, education and healthcare services. Infrastructure alone is expected to attract billions of dollars per year over the next 10 years. Poor food security in Africa has seen companies investing in innovative farming technologies and agro-processing. For instance, Rwanda benefited with Starbucks assisting coffee farmers.

There is an increasing preference for value-adding investments – that is, investment that brings benefits to the locals as opposed to extraction and export of raw material. However, countries such as China have successfully increased their presence in Africa through a careful alignment of their own interests with the challenges facing African governments. Most of China's FDI in Africa is led by state-owned enterprises, and involve an exchange of infrastructure development in return for mineral rights.

For all its challenges, Africa presents the most sustainable economic outlook. ◆

The author is Senior Managing Partner, Ernst & Young, Africa

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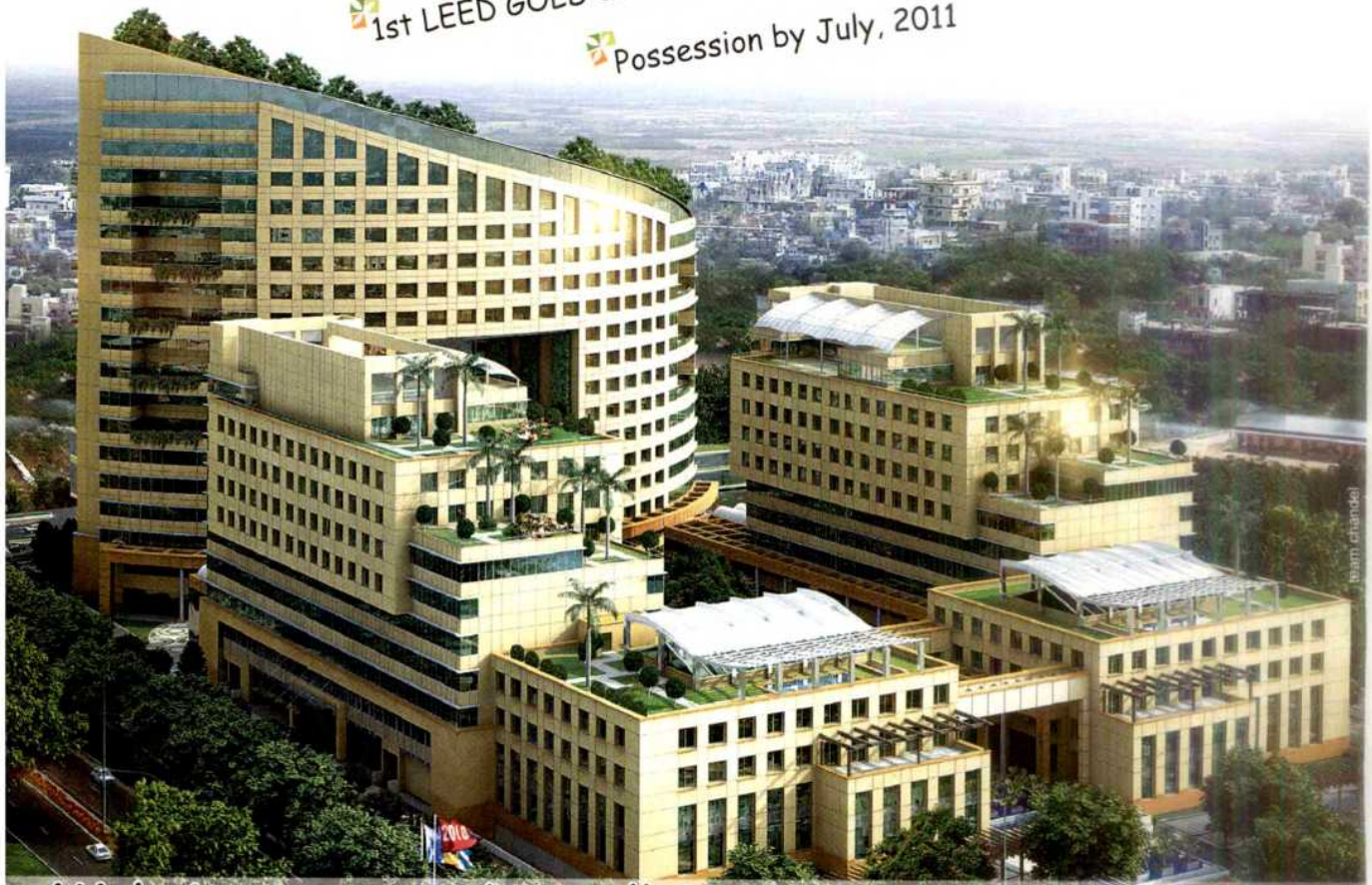

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NON-PERFORMING ASSETS

In January, Prime Minister Manmohan Singh reshuffled the portfolios of several of his Cabinet ministers. These included portfolios of some key economic ministers who had been facing criticism for their inaction and sloth. If Singh had thought the reshuffle would enthuse his two-year old United Progressive Alliance, or UPA, government, he could not have been more off-the-mark. One hundred days after the reshuffle, the seven Cabinet ministers who got the economic ministries – barring S. Jaipal Reddy, Minister for Petroleum and Natural Gas – have shown little of either initiative or results. The reasons, in each case, vary. Praful Patel, Minister for Heavy Industries and Public Enterprises, has been handed a portfolio that does not offer much scope. Murli Deora, Minister for Corporate Affairs, does not appear to have his heart in his new job. Direction and leadership are both lacking in this government that is facing a new crisis every day from the 2G scam to the Lokpal Bill. BT rounds up all that these ministers have been up to in the first 100 days in their new offices.

S. Jaipal Reddy

Minister for Petroleum and Natural Gas

Key steps taken in 100 days: Questioned Reliance Industries on the suboptimal production of natural gas from the Krishna-Godavari basin, which is causing the government huge losses. Enabled power units in Andhra Pradesh to obtain natural gas (resulting in additional generation of 600 MW).

Issues to be addressed: Instead of referring the Cairn-Vedanta deal to a Group of Ministers, he should have offered a solution himself. Pricing policy for petroleum products, which has generated a black market that some estimates put at ₹16,000 crore annually, should have been reformed. The policy put a ₹38,386 crore subsidy burden on the government in 2010/11, apart from state-owned oil companies taking a hit of a humongous ₹72,000 crore.

Goals set: Greater efficiency of oil PSUs and increased efforts at domestic exploration and production.

Picked for: His integrity. Reddy is the only minister who has done a good amount of serious work even though he divides his time between Andhra politics (especially the Telangana issue) and the ministry.

PUJA MEHRA

Murli Deora

Minister for Corporate Affairs

Key steps taken in 100 days: Proposed reserving one director's seat for women in all companies that have five or more directors on the board. Suggested making it mandatory for companies to spend two per cent of their profits on corporate social responsibility programmes.

Issues to be addressed: The long-pending Companies Amendment Bill, which will allow class action suits and do away with several mundane, day-to-day approvals companies are still required to take from the government. The Bill is still not entirely ready to be reintroduced in Parliament. The Serious Frauds Office remains ineffective.

Goal set: Regulations governing mergers, acquisitions and combinations under the Competition Act to be finalised and notified.

Picked for: His vast network of friends in the corporate sector. But Deora spends very little time in the ministry, preferring to visit Mumbai frequently. He is helped by a proactive secretary in the ministry, D.K. Mittal, who has been passing on powers vested with the ministry to the Registrar of Companies.

PUJA MEHRA

Praful Patel

Minister for Heavy Industries and Public Enterprises

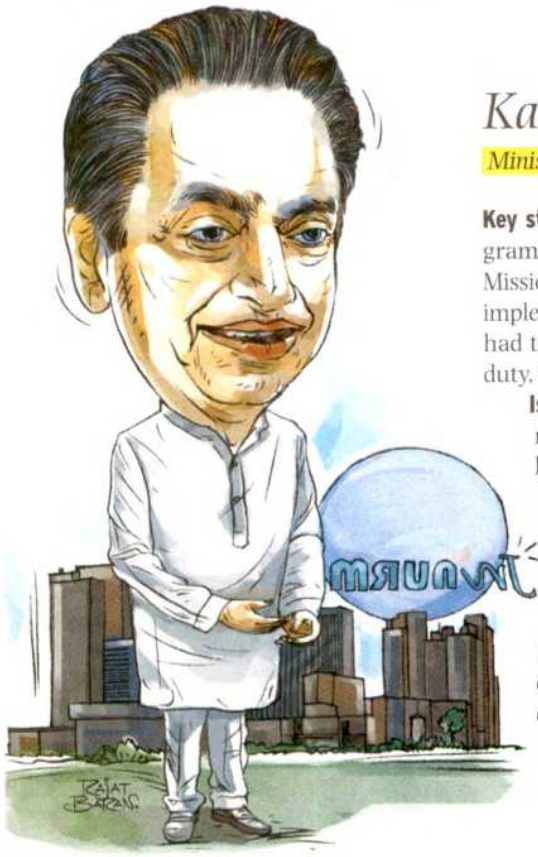
Key steps taken in 100 days: Proposed disinvestment of Scooters India and HMT Bearings.

Issues to be addressed: The problem of hundreds of sick public sector units in the country that can neither be shut down nor privatised for political reasons.

Goal set: Intends to create auto hubs of the sort that exist in Pune, Gurgaon, Chennai and Indore to scale up India's car production capacity from 2.5 million currently to 10 million by 2020.

Picked for: Political pressure exerted by his party, the Nationalist Congress Party, one of the UPA's coalition partners, but handed a portfolio where, as Patel says, "There is no public interface." The minister, who oversaw the privatisation of the Delhi and Mumbai airports while in the Ministry for Civil Aviation during the UPA's first stint, is being wasted in this ministry where "there is little scope" to perform.

PUJA MEHRA



Kamal Nath

Minister for Urban Development

Key steps taken in 100 days: Reversal of policy in the ministry's flagship programme, the ₹1.2 lakh-crore Jawaharlal Nehru National Urban Renewal Mission, or JNNURM. He has proposed to delink the funding of projects from implementation of reforms by states. Until now, states seeking JNNURM funds had to carry out 23 different reforms relating to property tax, lower stamp duty, e-governance, and so forth. Not for much longer.

Issues to be addressed: Capacity building for project preparation, appraisal, monitoring, and implementation at central, state and local administration levels. The five per cent of budget for capacity building under JNNURM has not been utilised. Except in a few states such as Gujarat, Maharashtra, Karnataka and Andhra Pradesh, the JNNURM has made slow progress.

Goal set: Push for more public private partnership projects in infrastructure development.

Picked for: His energy. Nath is very active in the ministry, which oversees one of the most daunting task for India – urbanisation. But he needs to channelise his efforts in the right direction.

MANU KAUSHIK

Salman Khurshid

Minister for Water Resources

Key steps taken in 100 days: Revived the project for interlinking the Ken and Betwa rivers in the Bundelkhand region of Uttar Pradesh and Madhya Pradesh, which has been opposed by Jairam Ramesh, Minister for Environment and Forests. Raised a controversy by claiming that China's plans to construct a dam on the Brahmaputra was "nothing alarmist", which was slammed by experts.

Issues to be addressed: Should have conducted a health check on dams in the country after the Japan tsunami-cum-earthquake, instead of blandly claiming that all Indian dams were strong enough to withstand natural calamities. Could have adopted the master plan for artificial ground water recharge, increased spending on irrigation infrastructure, and strengthened the water quality assessment authority. Restoring the natural flow of rivers, improving water quality and settling interstate water disputes are among the crucial issues before his ministry. Per capita water availability in India is tapering off at a fast clip.

Goal set: Has promised a new National Water Policy by 2012.

Picked for: His ability to adopt an impartial approach and stay out of controversies, since his ministry deals with interstate water disputes.

MANU KAUSHIK

C.P. Joshi

Minister for Road Transport and Highways

Key steps taken in 100 days: Opened social networking sites of the ministry and National Highways Authority of India, or NHAI, to facilitate user interaction. Kickstarted the use of geographic information system, or GIS-based imagery for the monitoring of highways. Set up a complaint cell at the ministry to dispose of complaints within a set time frame.

Issues to be addressed: Amendments to laws concerning his ministry – to improve the functioning of the sector – that have been pending. Should have set targets based on fund availability and helped developers with single window clearances. He should have speedily disposed of pending files related to instances of corruption.

Goals set: Award of 10,000 km of highway contracts to achieve 7,300 km of road during 2011/12. "You will agree it is a very high target," says Joshi.

Picked for: His clean image. Ministry officials confirm he is cautious with files to ensure his decisions are above board, which, his critics say, often leads to delays. At the moment, both NHAI and the ministry are headless, with Secretary R.S. Gujral currently on leave. Joshi is on the look out for a technocrat "like DMRC (Delhi Metro Rail Corporation) Chairman E. Sreedharan" to head NHAI. He has put 145 concession agreements on the NHAI website for public viewing and announced that all tenders at the authority after August will be through e-tendering. Joshi has also drawn flak for inviting his friends, comprising a group of lawyers and professors, to official closed-door ministry meetings.

K.R. BALASUBRAMANYAM

Vayalar Ravi

Minister for Civil Aviation

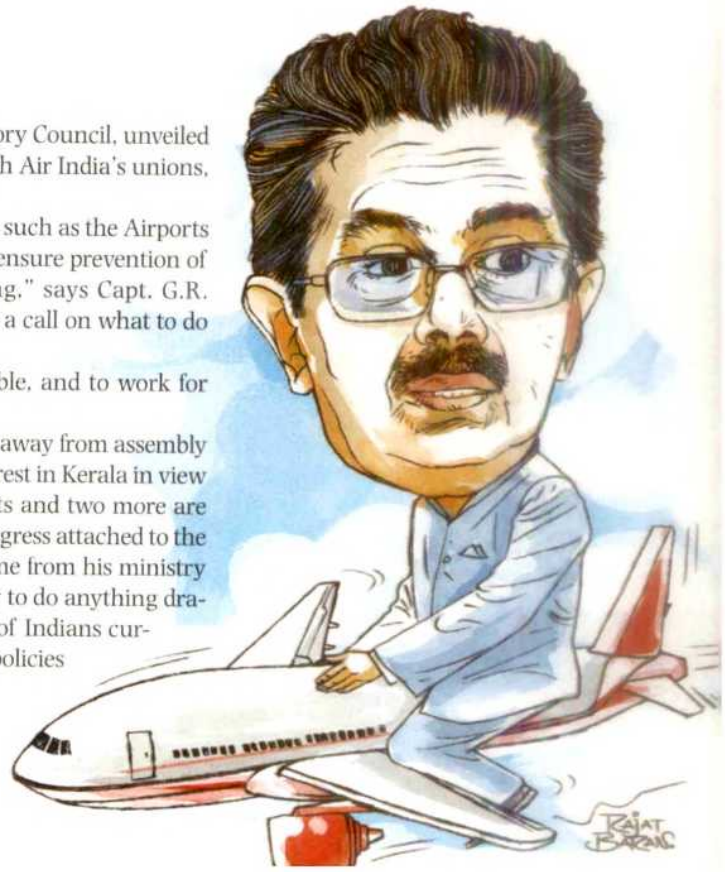
Key steps in 100 days: Set up the Civil Aviation Safety Advisory Council, unveiled a draft five-year strategic plan for the ministry; engaged with Air India's unions, without success.

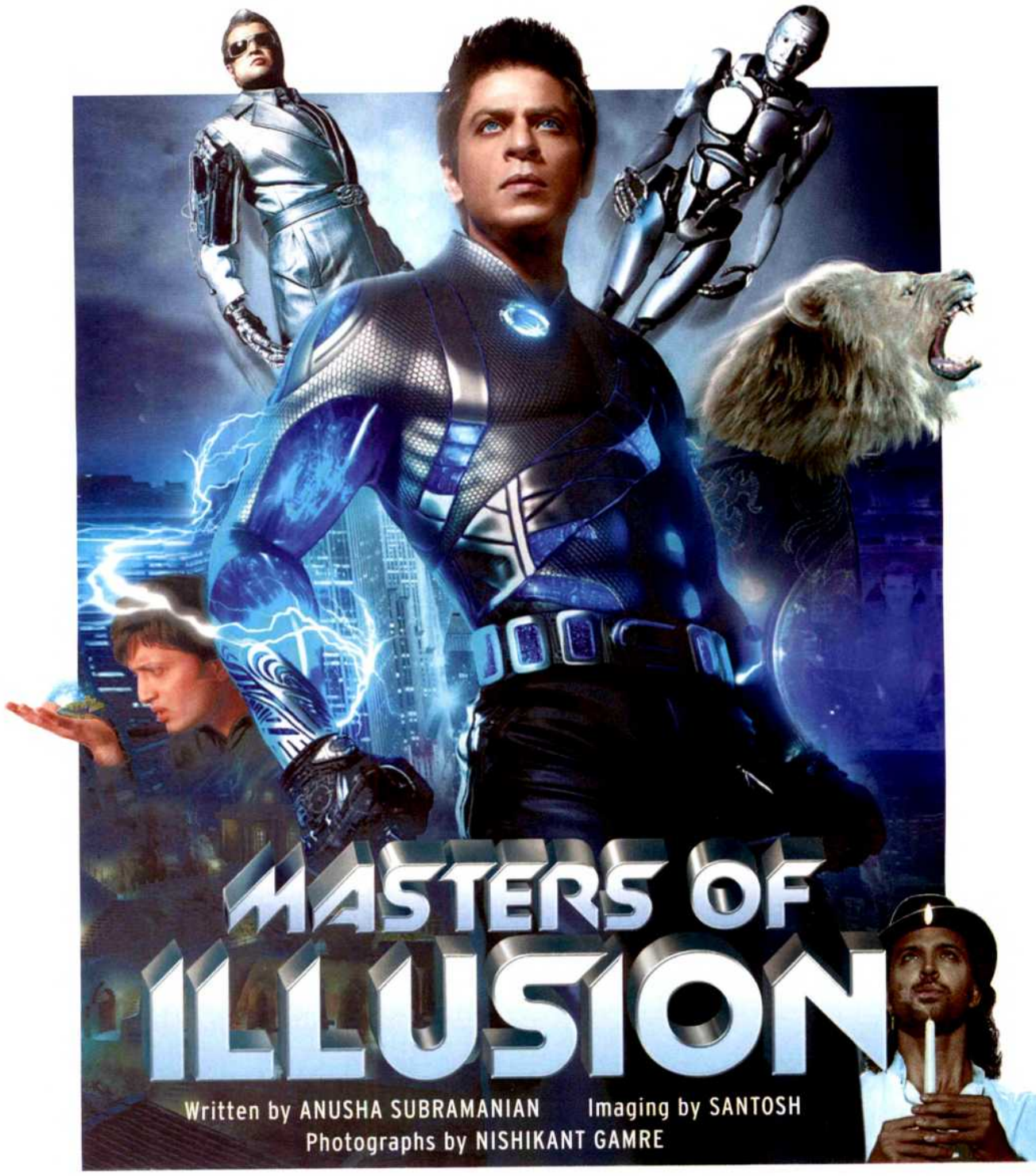
Issues to be addressed: Should have strengthened regulators such as the Airports Economic Regulatory Authority. "We need to privatise but ensure prevention of cartellisation be it in airlines, airports or manufacturing," says Capt. G.R. Gopinath, Chairman, Deccan 360. But first Ravi must take a call on what to do about the mess in Air India, hit badly by striking pilots.

Goals set: To turn Air India flights to Gulf region profitable, and to work for Air India's turnaround.

Picked for: Ravi's home state, Kerala, was just three months away from assembly polls when the reshuffle was held. Aviation is of intense interest in Kerala in view of its Gulf traffic: it already has three international airports and two more are being built. Ravi's appointment reflected the importance Congress attached to the Kerala polls. But no major policy announcements have come from his ministry since he took over. On the crisis in Air India, Ravi is unlikely to do anything dramatic given his trade union background. Just 2.5 per cent of Indians currently travel by air. How many more do so following Ravi's policies will be a critical measure of his success. ◆

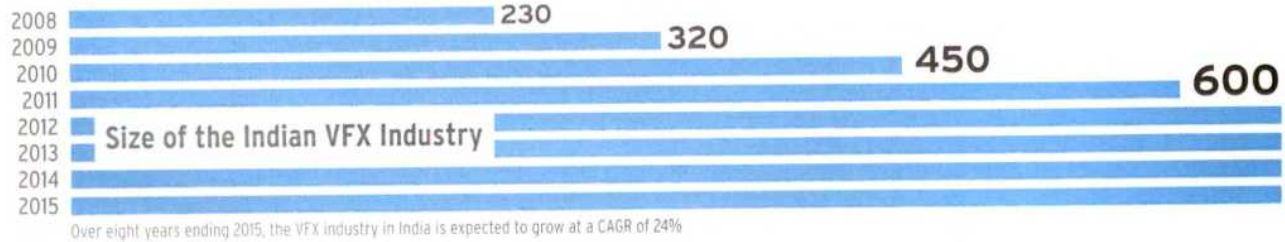
K.R. BALASUBRAMANYAM





MASTERS OF ILLUSION

Written by ANUSHA SUBRAMANIAN Imaging by SANTOSH
Photographs by NISHIKANT GAMRE



Over eight years ending 2015, the VFX industry in India is expected to grow at a CAGR of 24%

More and more Indian films are turning to the computer to create their most spectacular scenes

The film's release is still months away, but the trailer has already created a buzz. And judging by the trailer, whatever the final commercial and critical verdict on Shah Rukh Khan's forthcoming science fiction *Ra.One*, it will go down in Indian film history as the movie which has used computer generated visual effects footage the most in Indian cinema so far, putting even last year's Rajinikanth blockbuster *Enthiran* or *Robot* in the shade.

Hardly any of those who have seen the trailer are discussing Khan's looks or his performance in *Ra.One*, short for *Random Access – Version 1.0*, or the plot. Everyone is gushing about the film's visual effects, or VFX. Even Hollywood is impressed. "New minute of *Captain America* visuals pales in comparison to the 10-second *Ra. One* teaser," says Movieline, an international website that reviews film trailers. So too director Shekhar Kapur, whose *Mr India* made in 1987 was one of the first Indian films to use VFX, tweeted: "Shah Rukh's *Ra.One* has raised the bar on VFX technique in Indian cinema... Hope other filmmakers catch up!"

Ra.One is a pointer to not only the levels of excellence achieved by the Indian VFX industry, but also to Indian cinema's increasing use of VFX technology. For many years, Indian VFX units catered mainly to Hollywood and ad film makers in India, with feature film directors – barring a few exceptions – keeping their distance. Suddenly, attitudes have changed. Among the high-profile films of late that used VFX extensively are *Chandni Chowk to China* (1,500 VFX shots), *Aladin* (1,600 shots), *Blue* (800 shots), *Guzaarish* (350 shots) and above all, *Enthiran* (2,000 shots). Currently, industry insiders estimate around 70 per cent of Indian films are using VFX.

"In Bollywood, VFX has evolved only in the last five years," says Merzin Tavadia, co-founder and Chief Creative Director, India, of Prime Focus, a leading VFX and post-production studios that is working on the 3D conversion of *The Phantom Menace* of the *Star Wars* series. The first Hindi film to do so on a large scale was the 2008 release *Love Story 2050*. "It had 1,200 VFX shots. The film bombed, but the VFX was something Bollywood had never seen before," Tavadia adds.

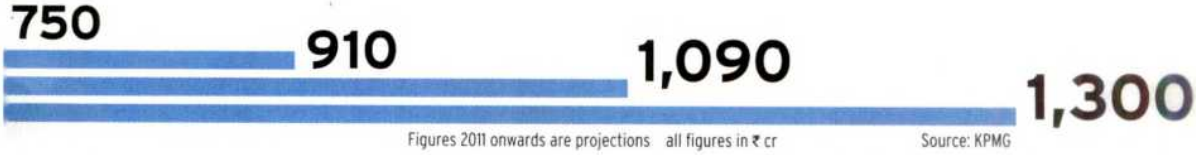
Indeed, even the subsequent Indian films that relied heavily on VFX had mixed fortunes at the box office. But all that changed with *Enthiran*, which was a tremendous success, raking in ₹350 crore worldwide. And now there is *Ra.One*, which industry sources say has around 3,500 VFX shots, outstripping not only *Enthiran* in this respect, but even the much-discussed Hollywood blockbuster

HOW THEY DIFFER

Visual effects: Creating scenes using a computer that cannot possibly be set up and shot on camera

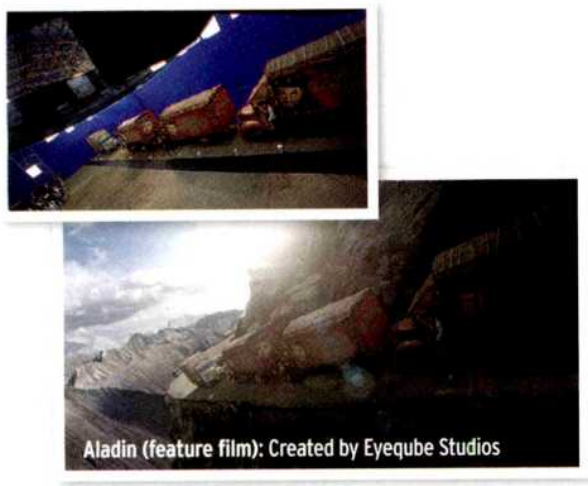
Special effects: Simulating scenes – such as a building being blown up – on the sets using special techniques and capturing them on camera

Animation: Displaying a sequence of images in 2D or 3D in rapid succession to create the illusion of movement



Figures 2011 onwards are projections all figures in ₹ cr Source: KPMG

Before & After



VFX increased the emotional impact of the shot by creating a dramatic environment

VFX employed to give the effect of a complete underwater world

VFX used to show a flow of colourful particle effects

James Cameron's *Avatar*, whose score was around 2,700 shots. Haresh Hingorani, its VFX supervisor, says: "The most difficult of shots in *Ra.One* were the ones that required Shah Rukh's 'suit enhancement', which means combining actual shots taken using a camera with VFX shots. There are 800 suit shots and it took us five months to develop the pipeline for them."

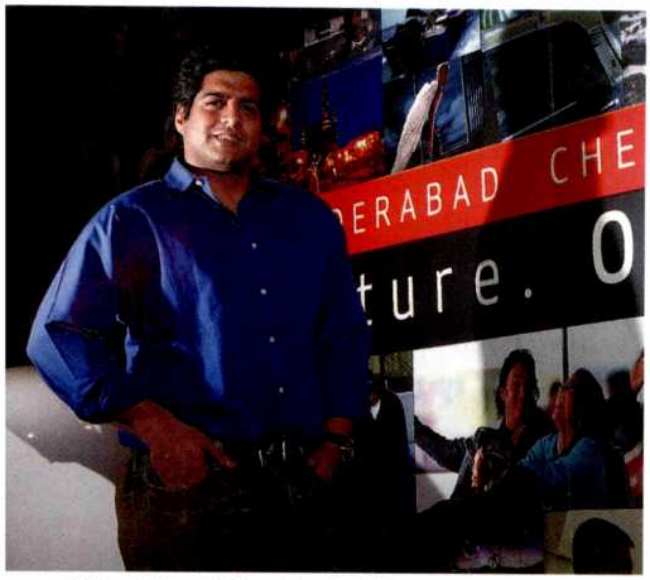
New Thinking

VFX studio owners say the mindset of Bollywood directors is changing. They are realising the enormous possibilities that VFX opens up, especially for science fiction, adventure and mythological films. "VFX is no longer an afterthought," says Sanjot Sonalkar, Head, Creative at Reliance Media Works, or RMW. "It is serious business. Earlier film producers would come to us and ask what stock VFX shots we had. They wanted to choose some and incorporate in their films. We don't have that situation now."

"Most filmmakers horizons have expanded," adds Viral Thakkar, VFX Supervisor at Pixion, a post-production studio. "They are now capable of thinking and writing scripts around VFX. They are also becoming more confident that post-production studios can deliver the kind of work they are looking for." The effects have become so creative that they blend well into films, adds Sanjay Yashroy, Chief Operating Officer, Pixion. "The audience does not realise VFX is being used."

For Shah Rukh Khan's views on VFX, go to www.businesstoday.in/srkinc.

Teamwork: (Clockwise from bottom) Keitan Yadav, VFX Producer, Anubhav Sinha, *Ra.One* director, and Haresh Hingorani, VFX supervisor for redchilies.vfx



Upbeat: Merzin Tavadia, Chief Creative Director, Prime Focus

Even so, Bollywood (*Ra.One* is an exception) has some way to go before it catches up with Hollywood. For a VFX-driven film, rarely do Indian producers budget more than 10 per cent for the effects, while their Hollywood counterparts could earmark as much as 60 to 70 per cent.

Then, there is the size of budget, itself. Hollywood studios can spend $200 to 250 million on VFX alone, while the entire budget of *Enthiran*, for instance, was around ₹160 crore or $36 million. "We tried to deliver visual effects of international standards within budget constraints," says V. Srinivas Murali Mohan, the film's VFX supervisor.

Again, to get the maximum impact out of VFX in films, detailed pre-production – the work that goes into filmmaking before shooting starts – is a must. Here too, Bollywood lags well behind Hollywood. "Pre-production means the development of the concept and the use of pre-visualisation," says Neil Cunningham, Creative Head, VFX, RMW. "In Hollywood, once scripts are written in which VFX is an integral part, the process automatically takes over."

Not in India. *Enthiran*, says Mohan, spent six to seven months on pre-visualisation. "Indian cinema is still raw in the way it views VFX," says Keitan Yadav, *Ra.One*'s VFX producer. "For directors and producers, getting involved at the script stage and pre-visualising is not the norm yet. However, things are changing and *Ra.One* is an example."

Cost Goes Poof

But there is a big advantage in using VFX for certain kinds of sequences that Indian filmmakers are finally waking up to: it can be economical. "It is much cheaper to create images on a computer screen rather than take an entire film crew to a location and shoot," says Pixion's Yashroy. "You are able to easily capture extreme situations that are difficult to shoot."

All is Maya

What it took to make *Enthiran/Robot*

The trilingual Rajinikanth starrer *Enthiran*, released last September, used visual effects in ways never seen before in Indian cinema. A blockbuster, it grossed over ₹350 crore globally.

Though director Shankar primarily used the services of the Chennai based VFX studio Indian Artists headed by V. Srinivas Murali Mohan, he also roped in experts from Hollywood, Frankie Chung and Eddy Wong, as well as a host of freelancers from across the globe. The film had 2,000 shots, adding up to 40 scenes, which employed VFX.

"We used technology never employed before in India such as Doom Light stage scanning. The system efficiently captures the way an actor's face appears when lit from every possible angle. From this captured image, specialised algorithms create realistic virtual renditions of the actor on any given location or set reproducing the colour, texture, shine, shading, and translucency of the actor's skin," says Mohan.

Enthiran also employed animatronics – the use of electronics and robotics in mechanised puppets to simulate life – roping in Hollywood's Stan Winston Studios, which created the effects seen in films like *Terminator* and *Jurassic Park*. Chitti, the robot, was the film's biggest USP.

All in a day's work: VFX expert V. Srinivas Mohan (left) and make-up artiste Bruce Fuller check if actor Rajinikanth's head (protruding from a box below, inside which the actor is seated) can be successfully shown as attached to a skeleton

VFX for dummies

A glossary of common terms used

Motion graphics: Graphics that give the impression of movement on a computer screen, such as ticker bands, transitions, pop ups

Matte painting: The digital, 3D creation of a scene, down to the last, meticulous detail, when actually setting up the scene and capturing it on camera is not feasible

Roto scoping: Making digital alterations in scenes already shot, going frame by frame, to achieve some effect the director is seeking

Clean up: Removing unwanted elements from scenes that have been shot, from wires or rigs to physical blemishes an actor may want to conceal

Compositing: Combining elements from different shots into a single image, giving the impression that they are all part of the same scene

3D: Creating 3D elements for compositing or creating a complete shot

Texturing: Adding colour and surface detail to scenes

Rigging: Adding controls for movement of elements in a film

Animation: Adding movement to the images created

Lighting and rendering: Giving finishing touches to a scene either partially or totally computer generated

Effects: Adding blazing fires, flowing water and other such elements to scenes after they have been shot

For television shows, especially the mythological ones, where budgets are usually much tighter than those of feature films, VFX is a still bigger boon. Industry sources maintain using VFX rather than putting up sets reduces TV production costs by 60 to 65 per cent.

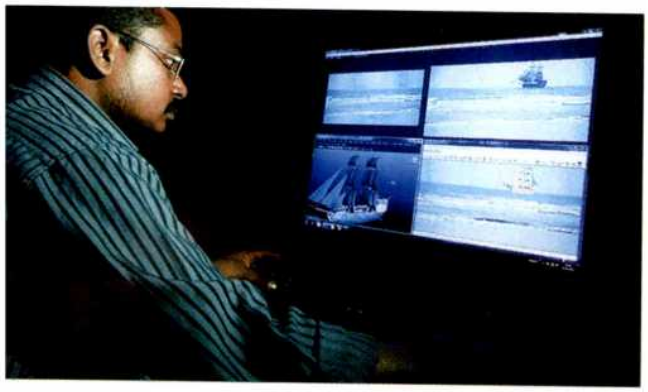
Unlike films and TV, Indian advertising cottoned on to the benefits of VFX very early. In advertising, VFX has already come of age with almost 80 per cent of commercials today using VFX in varying degrees, according to those in the industry. They estimate that a 40-second commercial, which would typically cost ₹40 lakh to shoot, can be made for ₹30 lakh if VFX is used instead.

"With around 15 million small and medium enterprises in India, the demand for VFX in advertising can be huge. This is good for the future of the VFX industry," says Mohit Ralhan, Head of Investments, Media and Entertainment, Baring Private Equity. "Many SMEs cannot afford TV advertising, as they find it too expensive to prepare TV ads. VFX-based ads can do wonders for them."

Hollywood Links

Another set of professionals who saw the potential of Indian VFX studios early were Hollywood producers. Their reason for turning to India was initially the same that has prompted every kind of outsourcing: saving on costs. "Hollywood studios can get about 75 per cent cost advantage by working out of India," says Anil Arjun, RMW's CEO. But over the years, Indian VFX studios have moved up the value chain. It is no longer labour intensive, low-on-creativity work that is outsourced to them as in the first few years. A little known fact is that films like *Avatar*, this year's

Creative wizards: The RMW team (standing from left) Head of Operations Nishit Shetty, Creative Head Sanjot Sonalka; (seated from left) VFX Creative Head Neil Cunningham, Naresh Malik, COO-TVC Visual Effects Creative Services



Robo lab: A visual artiste creates a 3D ship on Maya Software for the movie *Rama-The Saviour* at Reliance Media Works

Oscar winning *The King's Speech*, and the BBC TV series *The Deep* (about a submarine disaster) have all used studios like Prime Focus, Pixion and RMW for high-end work.

Prime Focus created a number of the visual effects seen in *Avatar*. It had a team of around 90 working on the film, spread across Los Angeles, Vancouver, Winnipeg and Mumbai. RMW has worked on projects such as *The Chronicles of Narnia* and is currently working on two 3D films slated for release later this year – *Shark Night* and *Conan the Barbarian*. "A lot of the work in *Shark Night* is over and under water, which is notoriously difficult to do in stereo," says RMW's Sonalkar. "In *Conan*, we have worked on a major set piece. We have built proprietary tools and rigs to tackle some complex VFX shots."

Growing Market

The market for VFX in India stood at approximately ₹450 crore in 2010 against ₹320 crore in the previous year, an increase of 41 per cent. The overall industry comprising animation, VFX and post production grew by 17.5 per cent over 2009 to reach ₹2,360 crore, according to a FICCI-KPMG Media and Entertainment report. The overall growth was largely led by VFX and post-production, the latter rising by 17 per cent.

The report says that animation and VFX together are expected to grow at a compounded annual growth rate of 18.5 per cent to reach ₹5,590 crore by 2015. Baring's Ralhan is even more optimistic, expecting the VFX industry to grow by more than 25 per cent annually. "The next five years are going to be big," he says.

Not just the next five – VFX will grow for many years to come. The sight of unbelievable events unfolding believably on screen is guaranteed to fascinate all, especially children. Back to *Ra.One*, which its director Anubhav Sinha admits is being made "as a treat for our kids". Shah Rukh's son Aryan is 13, his daughter Suhana is 10, while Sinha's own son, Shlok, is nine. "*Ra.One* is a father-son story. We wanted to do it for our children," concludes Sinha. ◆

Beyond Belief

Movies like Sanjay Leela Bhansali's *Guzaarish* and Sujoy Ghosh's *Aladin* used a good number of VFX shots. While *Guzaarish*'s effects were created by the Prime Focus team, headed by Merzin Tavadia and Reupal Rawal, *Aladin* was brainchild of Charles Darby of Eyeqube Studio.

Guzaarish's Fly Sequence

The fly sequence is the opening shot of the film. Actor Hrithik Roshan, who plays the paralysed male protagonist, tries to flick a fly off his nose. But the fly never existed, it was entirely a VFX creation. Tavadia says: "For this sequence, the team did an enormous amount of research on flies: how they look, how they move." The team then got down to the serious business of modelling the fly on computer graphics and texturing it. The challenge was to match its movements to those of Hrithik's eyes. After the sequence of movements had been locked, the team worked on lighting up the fly to match the actual shot with Hrithik.

Aladin's Magic

Aladin, starring Riteish Deshmukh and Amitabh Bachchan, had a total of 1,600 VFX shots with 150 artistes working on it. All the shots were conceived and executed by Eyeqube Studios in house. "The process was different as we covered the entire life cycle of visual effects right from initial development to final delivery of effects," says Charles Darby, its co-founder. "You will discover that this movie covers every conceivable kind of VFX – 3D, 2D, matte paintings, computer-generated environments and character animation." *Aladin* is unique in its complexity and stands out for its seamless integration of VFX into the narrative. "The film would have been impossible without VFX. Not only the magic elements, the sets were also made to look much larger by the use of invisible work," says Darby.

Trucker With Traction

Large-scale outsourcing, combined with close monitoring of quality, enables Anirudh Bhuwalka's Asia MotorWorks to make a mark. By KUSHAN MITRA

"All our suppliers are large companies and leaders in their own fields"

Anirudh Bhuwalka, AMW

PHOTOGRAPHS BY UMESH GOSWAMI/WWW.INDIATODAYIMAGES.COM

A curious sight looms up on the arid landscape of Bhachau, 34 km east of Bhuj in Gujarat, at the edge of the Kutch desert. It is the sprawling factory of Asia MotorWorks.

It is an unlikely site for a heavy vehicles plant, far away from the traditional automobile production clusters in the National Capital Region, the Pune-Nashik belt or the outskirts of Chennai. But location has been no barrier to AMW's success. Started in 2002 — though the first truck rolled out only in 2005 — it has grown at startling speed, its revenues rising from ₹114 crore in 2006/07 to around ₹1,000 crore in the just-completed financial year.

The heavy commercial vehicles, or HCVs, market is dominated by two heavyweights, Tata Motors and Ashok Leyland, holding 63 and 22 per cent of market share, respectively. Volvo-Eicher is in third place with 10.3 per cent. But in less than six years of production, AMW has grabbed much of the remaining market and achieved the Number Four position: it sold 9,000 vehicles last year, putting it ahead of high pedigree players like Mahindra-Navistar, Force-MAN and Daimler-Benz.

Indeed, in the tipper truck category — the ones where the platform can be raised at one end to discharge the load — AMW is already Number Two, behind Tata Motors. The company also plans to scale up massively in the coming year, raising production more than five times to 48,000 vehicles annually, which it expects will take it ahead of Volvo-Eicher.

Sum of Parts Business

The man who set up AMW is another surprise. He is no grizzled business veteran, but 36-year-old Anirudh Bhuwalka, an MBA from Babson College, Massachusetts, widely considered Number 1 among B-schools globally for entrepreneurship. How did he succeed in such a short period?

For one, by devising a business plan that relied on massive outsourcing. A noticeable feature of the AMW factory is how much less noisy it is than other similar facilities. That is because it is more of an assembling unit than a manufacturing one — most parts of the vehicles it manufactures are

High Speed Growth

AMW has made its mark very quickly in a crowded truck market dominated by heavyweights

Year	Tata Motors	Ashok Leyland	Eicher*	AMW	Others	Market size
2008/09	99,000**	31,500	12,000	3,750	3,750	150,000
2009/10	133,000	41,000	20,000	3,800	4,000	200,000
2010/11	171,500	62,500	29,000	6,800	5,500	275,000

Source: Society of Indian Automobile Manufacturers sales figures. Figures have been rounded off
*Eicher merged operations with Volvo's truck manufacturing division in 2009/10
**Number of trucks sold

brought here and fitted, they are not produced. In the trucks, the engines are from Cummins, the gearboxes from ZF, the axles from Eaton — and the entire cabin from China, with all systems already installed. Bhulwalka says outsourcing enabled him to start operations early without incurring heavy capital expenditure. "When Tata Motors or Ashok Leyland entered the business, they had no choice but to develop their own technology and manufacture most of the vehicle themselves," says Bhuwalka. "We need not do so. All our suppliers are large companies and leaders in their own fields."

The model, says Bhuwalka, is far from new, being widely used globally. "Paccar has become a $14-billion (₹63,000 crore) company and the second-largest truckmaker in North America by following the same model," he says. "Even China does the same. All its trucks are made of parts bought from the same pool of suppliers. They may sport different logos and have some cosmetic differences, but inside they are all the same — engines, gearboxes and often even the frames."

The plant's unusual location at Bhuj, far from cutting AMW off from the mainstream, is actually an advantage, says Bhuwalka, revealing that the spot was deliberately chosen. "We are right next to the Kandla and Mundra ports," he points out. "I would never have managed the logistics had I been near Nava Sheva (close to Mumbai) because of congestion there." But he concedes that he was also attracted by the incentives — land, water and electricity at concessional rates — the Gujarat government has been providing investors in the state.

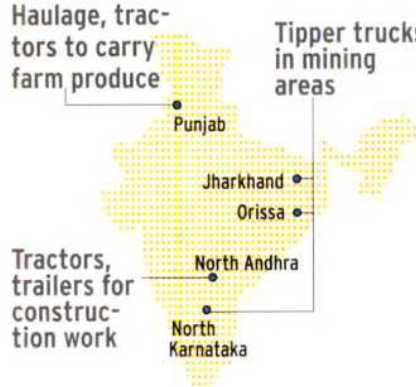
Bhuwalka makes it sound too easy. If the heavy vehicles business is such a cakewalk, why are companies like Force-MAN and Mahindra-Navistar, with deeper pockets than AMW, still struggling? Bhuwalka ascribes his success to the attention AMW pays to quality and comfort. "Most trucks in India are sold with very basic amenities, both the body and cabin are unfinished. Buyers have to install many features after the purchase, which is an inconvenience. Our cabins have air-conditioning and a music system installed from the start."

The air-conditioned cabins are so popular with the tipper truck drivers that at some client companies, the drivers jostle to get the right to drive an AMW truck, says R.C. Mangal, Marketing Director, AMW. "Tipper trucks work in dusty environments and the sealed, cool cabin is a great boon," he adds.

Not everyone agrees. R. Seshasayee, Executive Vice Chairman of Ashok Leyland, sees the challenge differently. "Historically, it is the incumbent players who have succeeded," he says. "They have a stronger network, keener understanding of Indian conditions and customer requirements and the capability to carefully configure products."

Driver's Seat

Areas AMW has a strong presence



Uncle Ruia's Role

How and why did Bhuwalka decide to make trucks? "I have my uncle to thank," he replies. 'Uncle' is Shashi Ruia, head of the ₹70,000-crore Essar Group. In 2002, when Bhuwalka was considering business alternatives, Essar won its first major road-building contract. Ruia was finding it difficult to get trucks of the specifications he wanted and suggested Bhuwalka manufacture them for him. Funded by his family and bank loans, Bhulwalka began work. Three years later the first

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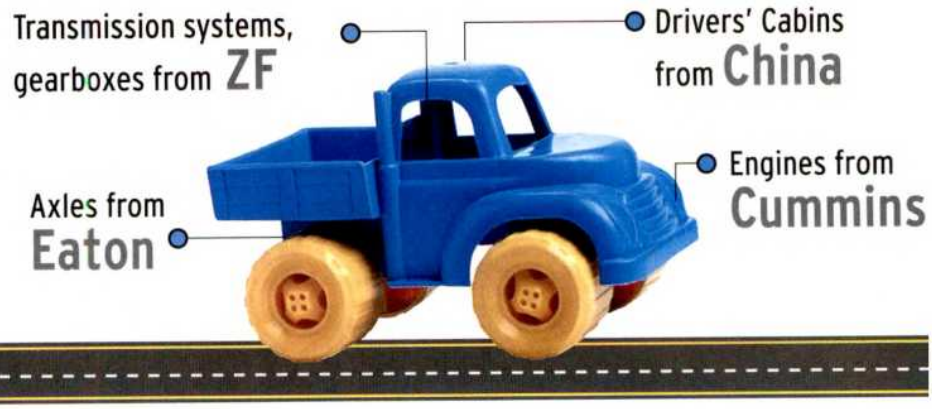
Outsourcing Champ

All these parts are brought to AMW's factory near Bhuj, where they are integrated to build the trucks. AMW is establishing a vendor park at the factory to streamline the complicated logistics process



AMW truck rolled out of a shed in Hazira, on Gujarat's southern coast, near Surat, where Bhuwalka's factory was initially located. "The shed is a lounge-cum-service centre for our drivers today," he says. The move to Bhachau took place in 2006 after Bhuwalka acquired 600 acres there.

The fledgling company was on a roll, but it had not bargained for the global slowdown that struck in 2008. "Up to January 2008, it seemed we could do no wrong," recalls Bhuwalka. "We had planned to massively ramp up production. We wanted to make everything: light commercial vehicles, luxury buses... And then came the crisis." Sales of HCVs dropped by 37 per cent in India, from 235,935 units in 2007/08 to 148,626 units the following year. AMW was badly hit too.

"I learnt a big lesson: do not try to get into too many segments too soon," says Bhuwalka. "If you ask my managers they will all tell you that we have just one aim — to manufacture and sell more HCVs, nothing else." Says Pankaj Bharuka, Deputy General Manager at the plant: "Everything we are doing is to gear up for a massive ramping up of truck production."

Plans Afoot

Ground realities have forced Bhuwalka to temper his ambition and idealism in other ways, too. "When I got into this business, I wanted to provide international quality trucks at a price Indians could afford," he says. But without any state incentives to do so, it was not possible and he has abandoned the idea. He prefers to make fully built trucks but higher margins lie in making cowls, or the front of the vehicle without the engine. "Fully built trucks are much safer than assembled cowls, but the government provides no encouragement," he says. He is also planning to make and sell cowls from next year.

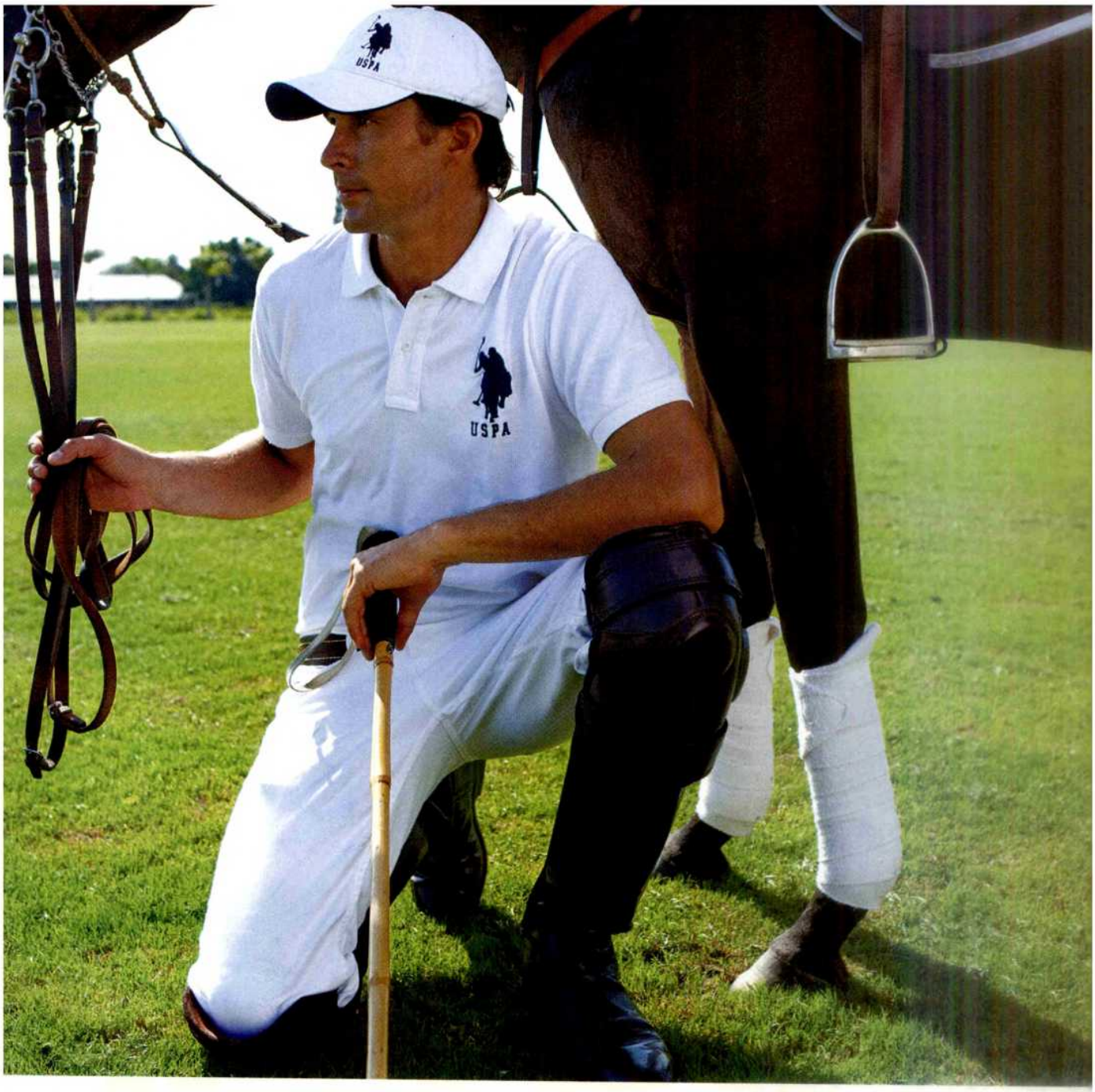
Even Ashok Leyland's Seshasayee believes that the marketplace for HCVs is changing. "Market dynamics are going to change and with the advent of more players — home-grown or global — competition will get keener. With increased legislation, stricter emission norms, enhanced safety features and evolving customers, demand will reach new heights," he says.

Keeping that in mind, AMW intends to manufacture more. Cabins are still imported fully assembled from China, but the company has built its own cabin-assembly line, which will start production soon. One eye fixed firmly on the future, Bhuwalka has set up a 200-member research and development unit in Navi Mumbai to develop new kinds of trucks, such as those used for hauling heavy equipment. "Going forward, we have to look at every possible use of the truck chassis," says AMW president A. Ramasubramanian.

The company's top brass knows there are more challenges ahead. "The competition will not sit back," says Ramasubramanian. "I think they view us as serious rivals now." Another manager jokes that Tata Motors plans to buy a few AMW trucks and take them apart to try and pinpoint where the secret of AMW success lies.

In fact, this is a practice AMW itself follows, making no bones about doing so — rival manufacturers' vehicles are parked just outside the administration building at Bhachau. "The only way forward is to make better trucks and give buyers better value for their money," says Bhuwalka. "We have done so until now, and we will continue to do so." ◆

Assembly line: A worker at the manufacturing unit of AMW at Bhachau



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New Toppings

Domino's Indian franchise will soon provide a fresh array of tasty bites. By MANU KAUSHIK

Bhanwar Dua, 26, investment banker, a resident of Lajpat Nagar, Delhi, has such a busy lifestyle that he rarely eats at home. He leaves for work very early and returns late; most of his meals are at restaurants. But Dua has a problem. "For my lunch and dinner, I have plenty of choices," he says. "But breakfast is a different matter. I have no option but to go to neighbourhood eateries where both ambience, and more importantly hygiene, leave much to be desired."

Soon Dua will no longer face this problem. Jubilant FoodWorks, the same outfit that made Domino's Pizza a household name in India, has tied up with Dunkin' Donuts, one of the biggest baked foods and coffee retailers in the United States, to prepare and sell its products in this country. These include a range of breakfast foods – doughnuts, bagels, muffins – that yuppies like Dua will relish.

The first steps were taken in 2009, when the management of what was then still Domino's Pizza India Ltd, or DPIL, took a far reaching decision: it would change its name. As the master franchise of the US-based Domino's Pizza Inc in India, it was doing very well indeed with a compounded annual growth rate of over 30 per cent for the previous five years.

But it wanted to raise money from the market to expand further, as well as diversify beyond pizzas. Neither was possible given the name it sported then. "Not only would selling other brands under the Domino's name appear odd, the global chain would not have allowed us to go for an IPO," says Ajay Kaul, CEO of Jubilant FoodWorks, or JFL, the new name it took.

The decision proved wise. As planned, JFL became a listed company last year – the first food service company in the country to do so – and came out with an initial public offering, which was a tremendous success: it was oversubscribed 31 times, and raised ₹329 crore.

Since listing in February 2010, the JFL share has jumped nearly 370 per cent – at a time the Bombay Stock Exchange's bench-

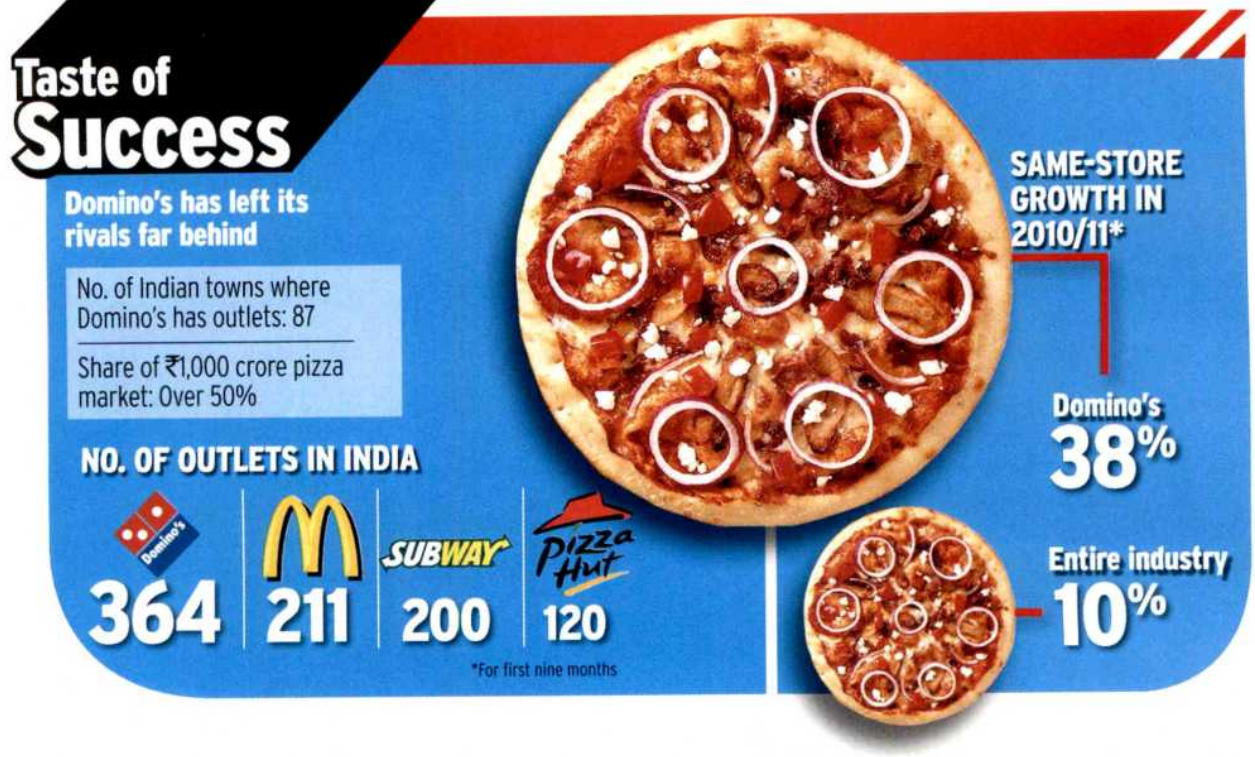
mark index, Sensex, climbed just 17 per cent. Greatly encouraged, the company has now moved ahead with its expansion plan, approached by three major international food retailers for tie-ups.

The deal that worked out, the one with Dunkin', had three big advantages. Dunkin' was ready to be flexible on menu options – JFL could offer Indian items too. So, along with Western snacks JFL will be selling using the Dunkin' brand, there could also be *samosas*. Dunkin' also offered a range of options in the breakfast segment, and finally with its coffees, would allow JFL to also enter the fast growing coffee and beverages market. "No player at present offers all-day food options – right from 8 am to 11 pm – not even Domino's," says Kaul. "Haldiram and Nathu may fit the category, but they sell largely traditional Indian snacks. No re-

"With pizzas, we started 100 per cent imports, but today we have zero imports"

AJAY KAUL, CEO, Jubilant FoodWorks

SHEKHAR GHOSH\www.indiatodayimages.com



tailer provides Western snacks, or a combination of Western and Indian snacks. This is the gap Dunkin' Donuts will fill."

A blitzkrieg is on the cards – JFL plans to open 30 outlets across the country by the year end, and will expand even faster in coming years. "Our research team will tell us what our overall menu should be, and how much of local options we should include," Kaul adds.

But will it work? Will a sufficiently large number of Indians develop a taste for doughnuts? "Indians have a sweet tooth, so it's not as if people will be averse to doughnuts," says Dev Amritesh, President and Chief Operating Officer of JFL's Dunkin' Donuts division. "However, it will require field work. We need to create awareness."

"We will get our staff trained at Dunkin' in the US, who will then formulate operational and supply chain strategies," says Kaul.

Initially, JFL will be importing most of the ingredients and the equipment required for the Dunkin' products, but its aim is to localise everything. "It's what we did with Domino's pizzas. We started with 100 per cent imports, but today we have zero imports," Kaul adds.

Pizza Power

The strongest argument in favour of JFL succeeding is its track record – how it has taken pizzas to the masses in India.

It was not an easy task. When Domino's Pizza entered the country – in 1996, the same year McDonald's did – few people in India had even tasted a pizza: the item was only available in a few high-end restaurants. The first five years saw only 50 Domino's outlets set up across India, and that too only in the metros. "That was the discovery stage," says Amritesh. "There was minimum focus on growth. We spent our energies trying to understand the Indian consumer and create brand awareness."

Domino's is known for home delivery but it has modified its strategy for smaller towns as people there love to dine in

Despite the preparation, the company had to take some hard knocks. In 2000, it embarked on its first big expansion spree, increasing the number of outlets to 100, moving into tier-II towns like Bhopal and Gwalior. Much went wrong and 40 outlets had to be closed in the next two years. Even in 2004/05, the then Domino's India Pvt Ltd was losing money – it posted a loss of ₹57.8 lakh that year on a revenue of ₹73.7 crore.

It was at this stage that Kaul, then based in Indonesia, was brought to head the Indian operations. "The mandate had been to create demand. We thought everything else would be taken care of," he says, with a candour that comes with hindsight. "We messed it up.

We went backwards by a couple of years." Another insider said the expansion had been undertaken without sufficient emphasis being given to front and back-end support systems, without adequate staff training and ensuring there was proper infrastructure in place.

But JFL bounced back. Soon after taking over, Kaul hired a number of top class professionals to turn the business around. He forged exclusive partnerships with ingredient suppliers, truck owners and cold chain warehousing firms. A masterstroke of marketing was the 'Delivery in 30 minutes or your pizza is free' offer, which caught consumers' attention in a big way. "Delivery on time was never a problem," says Kaul. "But the campaign did create a flutter."

Today, JFL dominates the ₹1,000-crore pizza market with over 50 per cent market share, selling around four million pizzas every month. As of December 2010, it had 364 outlets nationwide, more than any of its international fast food competitors: McDonald's India has 211, Subway 200, and Pizza Hut 120. In 2011, it plans to open 70 more stores. In the nine-month period ending December 2010, JFL recorded an overall growth of 61 per cent and same-store growth or growth at outlets that were at least one year old was 38 per cent. It has also been steadily expanding its menu, having launched 20 new products in the last five years. "At any point in time, our new product development team is working on 30 products," says Amritesh. "Once the product is finalised for launch, we spend a huge amount on its promotion, almost ₹8 crore."

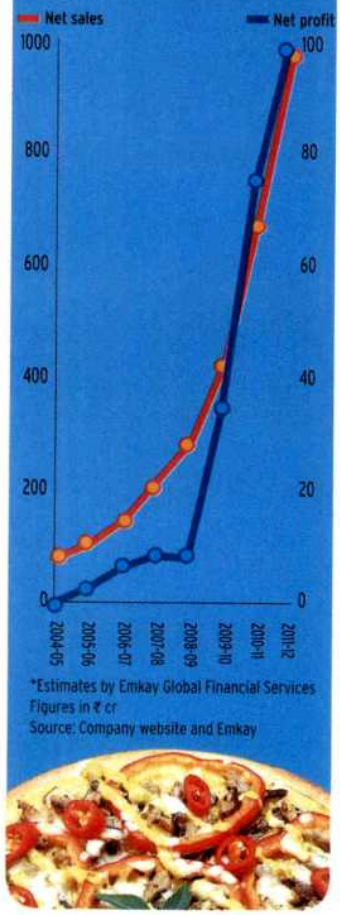
Domino's has stooped to conquer the Indian palette by offering toppings unheard of in the West, like *keema dopiaza* or peppy *paneer*. Apart from such unconventional pizzas, it also offers garlic bread, choco lava cake, pasta and wraps.

Despite the 2000 misadventure, JFL in recent years has made a fresh, concerted effort to move beyond the big cities. It has opened outlets in 80 towns other than the seven metros. (However, sales in Delhi, Mumbai and Bangalore still contribute around 45 per cent to its revenues.) Though Domino's is known worldwide for its 'home delivery', it has modified its global strategy for Indian towns, finding that people preferred to dine in, or take away food, rather than have it delivered.

A masterstroke was the offer of 'Delivery in 30 minutes or pizza free', which became popular

Reason to be Jubilant

Overcoming early hiccups, Jubilant FoodWorks has made Domino's a household name



*Estimates by Emkay Global Financial Services
Figures in ₹ cr
Source: Company website and Emkay

Thus, JFL has sought to make their outlets in these towns more spacious, providing more dine-in area than it does in big cities – the average store size in 1,600 square feet, against 1,000 square feet in metros. The fact that real estate is cheaper or rent in these places also makes it easier to do so. "The culture of ordering-in food has not developed among people in tier-II and III towns yet," says Kaul. "But for the first time ever, pizza and pasta have both emerged as a meal replacement option in these places." Around 40 per cent of JFL's revenue comes from dine-ins and takeaways.

No Guarantee

But challenges remain as JFL seeks to replicate Domino's success with Dunkin' Donuts. Its attrition rate is very high, around 80 per cent annually, while inflation and competition, which are on the rise, are major concerns. "Soaring inflation could blow away profit margins by increasing the ingredients costs and affecting the purchasing power of customers," says Amnish Aggarwal, Senior Vice President, Motilal Oswal Securities.

Indeed, success is not guaranteed. "For most part of their existence, Domino's India has struggled to put up a good show," says Pratichee Kapoor, Associate Director at Technopak Advisors. "Only in the last six years, it has seen stupendous growth. It is not necessary that lessons learnt while selling Domino's pizzas will apply to Dunkin' products as well." A challenge for sure. ◆

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Particulars	Audited standalone financials, as restated			
	For the Year Ended March 31st			For Nine Months Ended December 31, 2010
	2008	2009	2010	
Total Income	50,337.86	65,736.68	80,817.15	74,677.97
Profit After Tax	13,118.56	14,599.51	22,289.86	19,403.46
Share Capital	11,477.67	11,477.67	11,477.67	11,477.67
Reserves & Surplus	89,927.30	98,391.75	113,389.29	131,743.61
Dividend (%)	35.00%	40.00%	45.00%	-
Basic EPS (₹)	11.43	12.72	19.42	16.91
Diluted EPS (₹)	11.43	12.72	19.42	16.91
Net Assets Value Per Share (₹)	88.35	95.72	108.79	124.78
Net Worth	101,404.97	109,869.42	124,866.96	143,221.28

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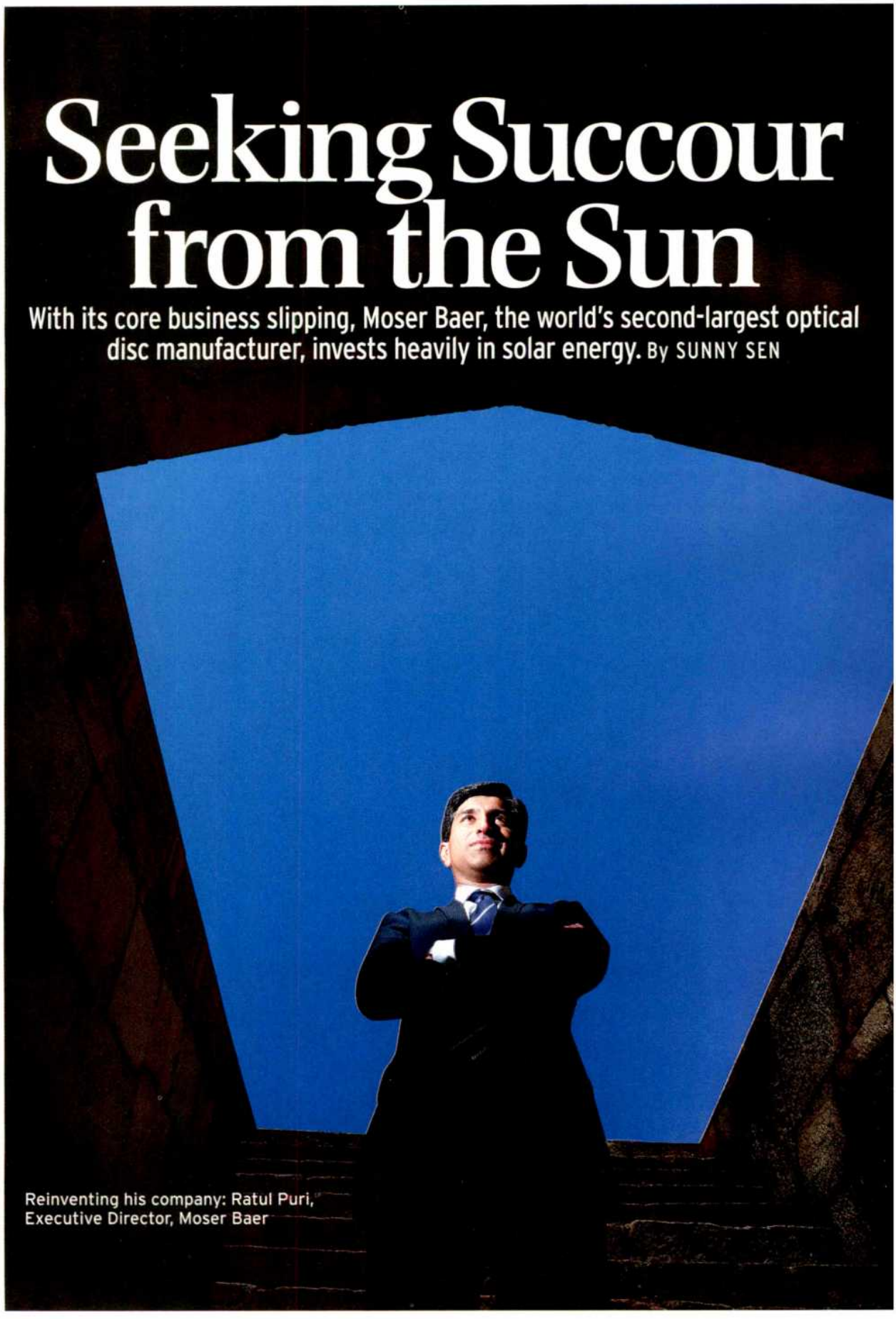
Seeking Succour from the Sun

With its core business slipping, Moser Baer, the world's second-largest optical disc manufacturer, invests heavily in solar energy. By SUNNY SEN



Reinventing his company: Ratul Puri, Executive Director, Moser Baer

VIVAN MEHRA/www.indiatodayimages.com

Ashiqua Quader, an air hostess with Jet Airways, still visits Music World and Planet M stores, as she has been doing for many years. But the Delhi resident's purchases of music and movies have fallen drastically. "I go to these stores to see what's new on the shelves," she says, with a smile. "And if I find something interesting I go home and download it." Like many people, she downloads songs and films from the Internet and stores them in flash memory drives.

Swaran Singh has been selling blank CDs and DVDs, as well as other computer related stationery at his nine square feet shop in Nehru Place for nearly a decade. He agrees sales of CDs and DVDs are falling. "This is a generation of pen drives. They are fairly cheap nowadays," says Singh.

Moser Baer, the world's second-largest manufacturer of compact discs and DVDs, is under siege. Sales are down and the company has registered losses for three years in succession. But Executive Director Ratul Puri has mentally moved on – his primary focus now is solar power plants.

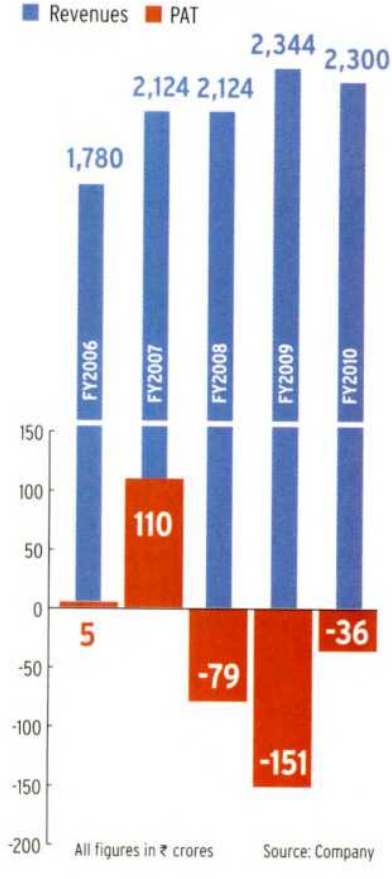
Ratul and his father Deepak Puri, who founded Moser Baer, believe Moser Baer Photo Voltaic, or MBPV, a subsidiary of the parent company, will bail them out. It has so far helped set up solar power plants in the United States, Europe and India that generate 450 MW of power, which in turn is sold to customers.

In solar, the Puris have one key advantage – their experience in putting films over optical discs. This helps them in manufacturing panels for solar power plants as it is also a key process in solar panel manufacturing. MBPV has a manufacturing capacity of 250 MW which it plans to increase to 1 GW (1 GW = 1,000 MW) in a couple of years. "There is growing demand for solar energy across the globe," says Ratul. "In India too, given its abundant sunlight, solar energy will play a crucial role in coming years."

MBPV had revenues of around ₹200 crore or $44 million in the last quarter of 2010/11, selling panels to companies like Tata Power, Larsen & Toubro and Punj Lloyd, which integrate panels in solar power plants. "We expect this business to become $100 million in the same quarter next year," says Yogesh B. Mathur, the group Chief Financial Officer.

Slipped Disk

Moser Baer's core business has been loss making for the past three years



But the Puris are aware that the optical disc business is a goner. Many leading CD and DVD manufacturers in Taiwan, which dominated the space globally, were forced to shut shop during the downturn. (The world's top manufacturer, Ritek Corporation, to which Moser Baer was second, is Taiwan-based.)

The biggest problem for them all has been the falling cost of alternative storage solutions, specially the ubiquitous flash-memory drives (also known as pen-drives or USB sticks) that plug into the Universal Serial Bus (USB) port of computers. Today, an average flash-memory drive with four gigabytes of storage costs ₹300-400, which is still a lot more than a recordable DVD which retails for ₹30. But a flash-memory drive works on almost every computer and does not require a special 'burner' drive which can write on it, can be reused thousands of times, is more durable and easier to carry.

Worse, the emergence of high-speed broadband services and storage on the 'cloud' (online storage) liberates users from carrying any storage at all, accessing their files from anywhere with an Internet connection. And with such services becoming increasingly popular in developed markets such as the United States and Japan, a company such as Moser Baer, which exports close to ninety per cent of its production, is particularly vulnerable.

Moser Baer's own margins have taken a hard hit over the past few quarters as sales declined. Revenues fell from ₹2,344 crore in the financial year 2008/09 to ₹2,300 crore in 2009/10 with a net loss of ₹36 crore (see *Slipped Disk*). The poor performance of the company

continued in the quarters to follow. Revenues for the December quarter have fallen by a third compared to two years ago. Sequential quarter-on-quarter growth is a thing of the past, with revenues seemingly falling off a cliff.

Back to the Future

The Puris are then almost starting all over again. But it is not that this is unfamiliar terrain. After all, the father-son duo had painstakingly built their optical media business from scratch over the past couple of decades. Ratul was still in school, at Delhi's prestigious St. Columba's, when his father Deepak Puri established Moser Baer India in 1983 as a maker of time recorder devices. The company borrowed its very un-Indian name from its then joint venture partner, Moser Baer Sumiswald of Switzerland.

The joint venture, though, did not last long. Within two years the partners parted ways and Deepak Puri bought out the 49 per cent stake held by the international firm. The senior Puri also made another tactical move. Aware of the limited market for time recorder devices – used in factories – he switched to manufacturing discs, then the 8-inch floppies. The first wave of personal computers had just started to enter homes across the world. Still, the company remained an obscure player in an industry dominated by Japanese and Taiwanese manufacturers.

It was left to Ratul to change the direction of the company after he joined the family business in 1994. As general manager for business development, he took a calculated gamble in 1999 by investing ₹600 crore in a CD and DVD manufacturing plant in Greater Noida. In 2004, he invested another ₹3,500 crore, largely funded through debt, to expand capacity to 2.5 billion discs.

This heralded a tectonic shift in the fortunes of the company. Moser Baer become the second-largest manufacturer of recordable optical discs in the world by the end of the last decade. Its revenues soared to ₹2,124 crore and its profit ₹110 crore in 2006/07. The proliferation of pirated music and videos over a rapidly expanding Internet and the high-cost of other storage options played a major role in its success.

But the road ahead will not be easy for Moser Baer. Its power business, including solar, is capital intensive and it will be a challenge funding its ambitious expansion plans. MBPV has raised ₹1,700 crore from a mix of private equity money and debt from banks. For a company which has been loss making for three years that is quite an achievement. It will also have to invest another close to ₹2,250 crore, or $500 million to get to the proposed 1 GW capacity and that comes with attendant risks. "We have seen what has happened to Suzlon and Indo Solar," says independent stock analyst Ashwini Gujral who has tracked Moser Baer for several years. The wind turbine supplier is choking under huge debts and is desperately trying to raise funds, improve liquidity and undertake refinancing measures.

Project execution will also remain a big challenge for the Puris. Says Gujral, "Planning and execution are two different things." In 2007, the company set an ambitious agenda to build a solar plant with 1 GW capacity in just three years. However, they have fallen well short of the target and 250 MW is the current manufacturing capacity. The reason behind the delay, according to Ratul, was the economic slowdown.

There are other problems. Moser Baer is a late entrant in solar energy. "Tata-BP (a joint venture between Tata Energy and British Petroleum) is the only company which has been investing into solar for a long time and companies like Moser Baer are new players," says V. Subramanium, former secretary, Ministry of Renewable Energy. The company will also face stiff competition from European and Chinese companies.

Moser Baer Projects, a subsidiary of the group, is finalising business plans across three other verticals as well: thermal and hydel power generation, apart from coal mining. For now, though, the Puris remain convinced that the solar business will emerge as the next big opportunity for the company. ◆

SUNRISE FOR MOSER BAER?

A snapshot of the company's solar venture

Began in: 2005

Solar panel manufacturing: ₹ **1,700** crore invested; ₹ **3,500** crore planned

Solar power generation: ₹ **7,500** crore investment planned

Average annual revenue (Solar manufacturing): ₹ **1,000** crore

Current production capacity: **200** MW crystalline silicon, **50** MW thin films

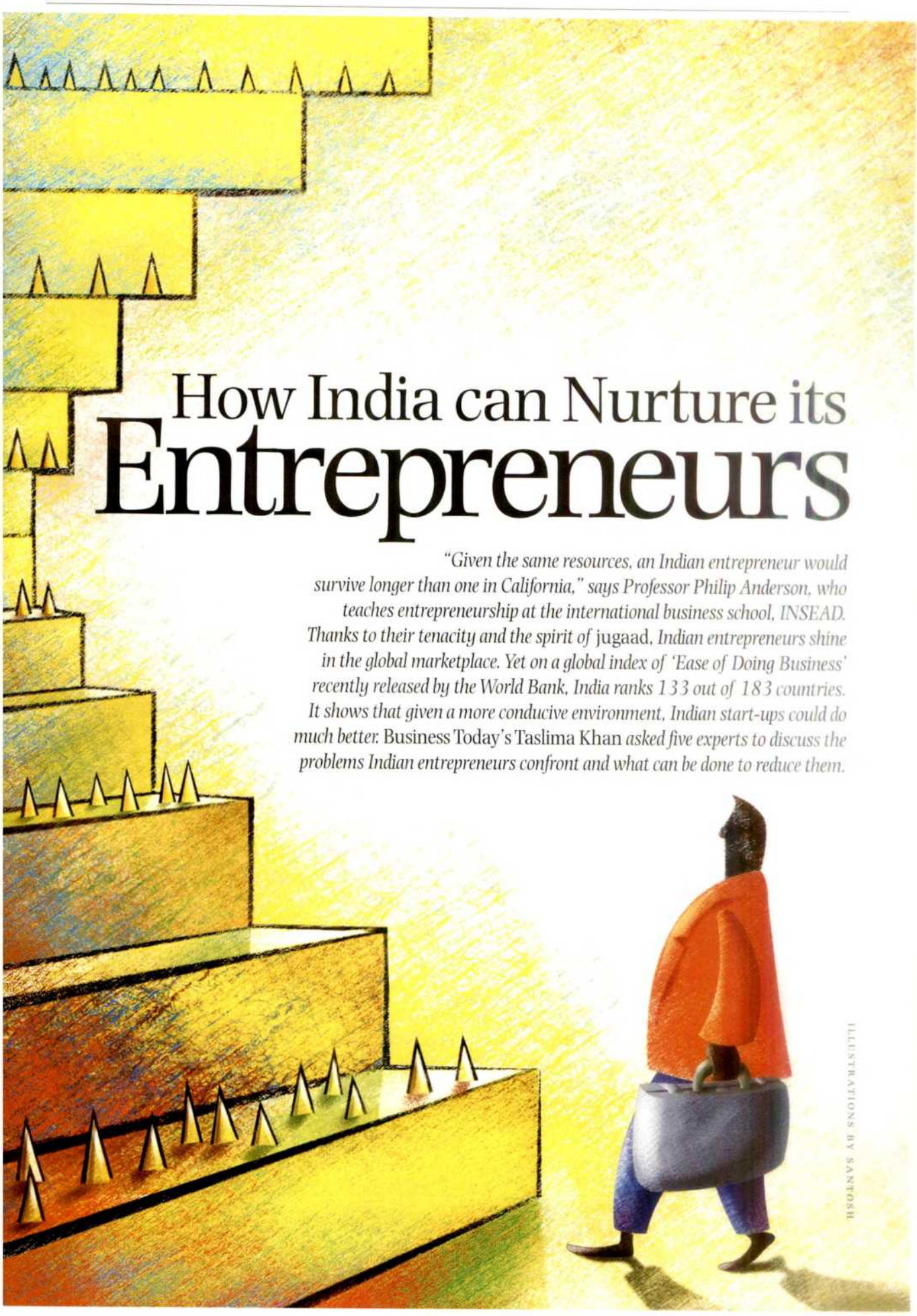
Planned capacity expansion: **1,000** MW in two and half years

Current revenue from domestic business (rest from exports): **5%**

Domestic business target: **70%**

How India can Nurture its Entrepreneurs

"Given the same resources, an Indian entrepreneur would survive longer than one in California," says Professor Philip Anderson, who teaches entrepreneurship at the international business school, INSEAD. Thanks to their tenacity and the spirit of jugaad, *Indian entrepreneurs shine in the global marketplace. Yet on a global index of 'Ease of Doing Business' recently released by the World Bank, India ranks 133 out of 183 countries. It shows that given a more conducive environment, Indian start-ups could do much better.* Business Today's Taslima Khan *asked five experts to discuss the problems Indian entrepreneurs confront and what can be done to reduce them.*



ILLUSTRATIONS BY SANTOSH

Lakshmi V. Venkatesan

Help Young People to Help Themselves

Six years ago, Bhausaheb Janjire, 26, a domestic worker in Pune and the son of a bonded farm labourer, took an astonishing step. He raised ₹50,000 in seed capital to start a telecom components business. His venture now has a turnover of ₹10 crore, employs over 300 people, and exports to markets in West Asia and Myanmar.

Shailender Singh, 28, who ran a *atta-chakki* business in a Haryana village, took a small loan 10 years ago to start a new venture. Today, Singh is the CEO of a human resource development firm, and has trained and outsourced 3,000 people to large companies.

Increasingly, bottom-of-the-pyramid young entrepreneurs in urban and rural India are climbing up the value chain, from income generation to self-employment to entrepreneurship. Job seekers at the grassroots are becoming wealth and job creators, mirroring the success stories of their better-known brethren in the hi-tech sectors. Still, highly successful micro-entrepreneurs like Janjire and Singh are just a handful.

Young people in general have relatively little money and experience, or even access to social networks that could be useful for business. But they are energetic, creative and eager to learn. The right kind of programmes can go a long way in fostering their potential provided they get sufficient incentives to start off. At present, there are few programmes tailored to meet their unique needs. We need a national agenda to provide them the skills they require to get started.

There are few programmes tailored to meet the unique needs of young entrepreneurs. We need a national agenda to provide them the skills they require to get started

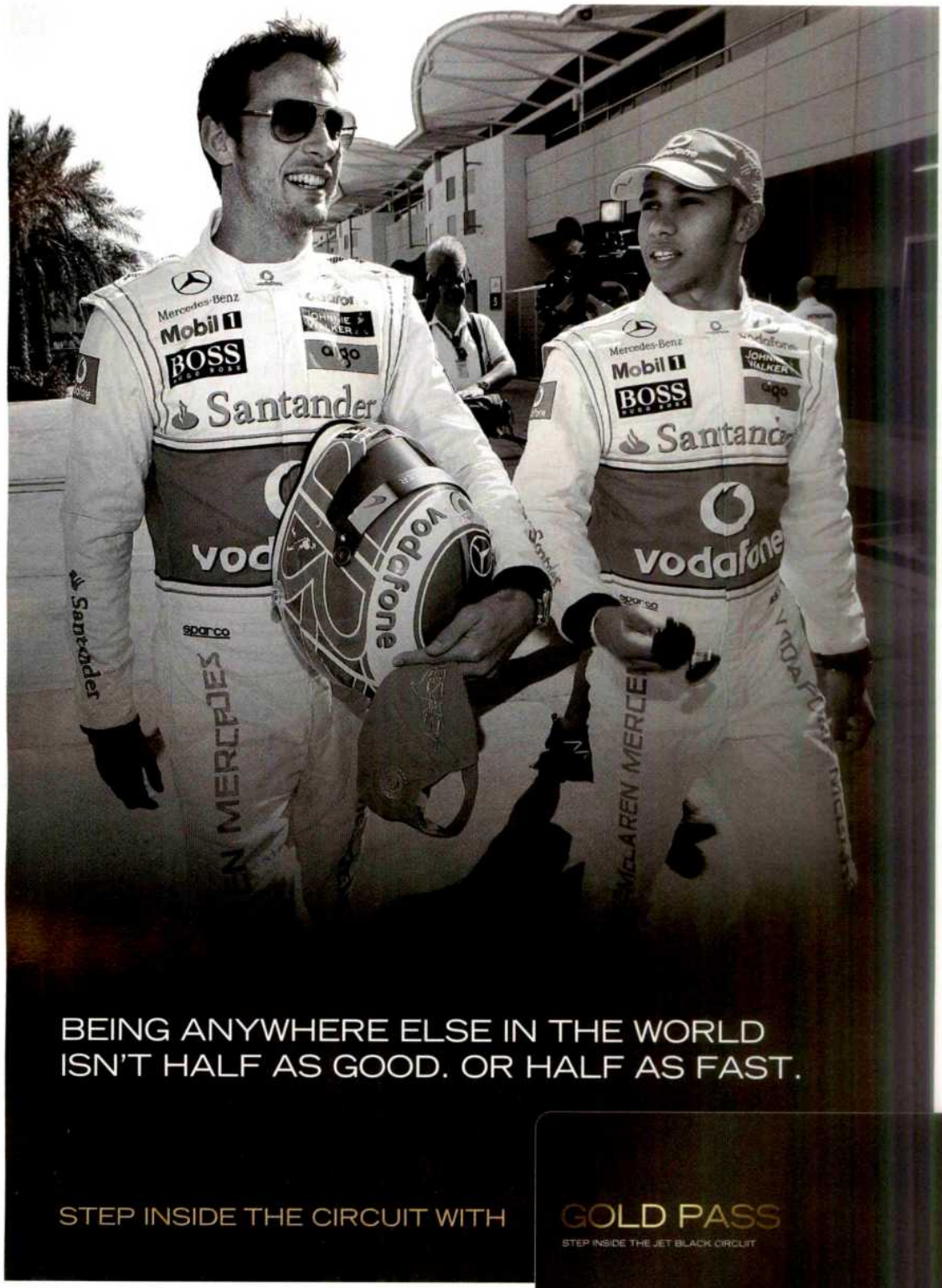
Stakeholders such as the private sector, financial institutions, the government and even society at large need to work together in a public-private partnership mode to fill the gaps. Capability mentors such as NGOs and educational institutions should identify skills and capabilities; programme designers like government agencies should provide the framework for startups through friendly policies and infrastructure; and scaling facilitators like the private sector and financial institutions should provide capital and business strategies.

Capability mentors: NGOs should act as counsellors and motivators for potential entrepreneurs. Educational and vocational institutes need to provide them with practical knowledge. Entrepreneurship training should focus on short, functional modules that impart hard and soft skills using information technology and mobile-based learning tools. Partnerships with the private sector are also needed to develop programmes based on market realities.

Programme designers: While the government has started according priority to skill development through initiatives like the National Skill Development Corporation, entrepreneurship training is also vital. Local governments from the panchayat level can offer space and utilities for incubating micro-entrepreneurs.

Scaling facilitators: Corporates can play a significant role by providing business advice to budding entrepreneurs, and by helping them integrate into the value chain. Financial institutions need to develop specialised instruments for entrepreneurs who do not have access to security and collateral. Social venture funds, a nascent field in India, need to cater to youth with viable business ideas that may have a longer incubation period. ◆

The author is Executive Vice President of Bharat Yuva Shakti Trust, a corporate initiative to promote entrepreneurship



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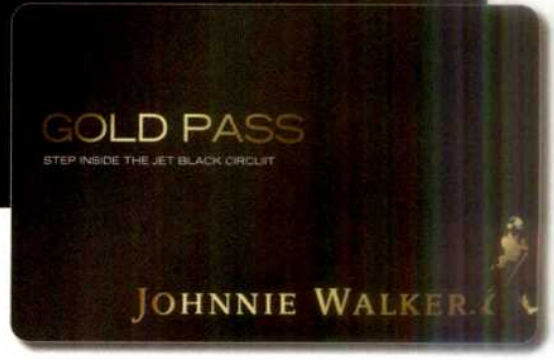

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Tap Rural Potential

The winds of liberalisation have not touched much of rural India, especially as far as creating an environment for entrepreneurship is concerned. In the hinterland, the process of registering and getting the certificates and various other permissions to embark on a start-up is still so slow and full of corrupt intermediaries that many budding entrepreneurs run out of patience and give up. There is a solution: instituting a time-bound process. If no objection is received within a specified period, the applicant should be allowed to assume formalities have been completed.

Rural areas also face an acute shortage of skilled workforce. The establishment of the National Skill Development Corporation, or NSDC, has done little to ameliorate the situation. For instance, in Gujarat more than 70 per cent of positions for faculty in government polytechnics have not been filled. This lackadaisical attitude is thwarting the development of appropriate skills at the grassroot level.

Non-availability of power for long stretches is another factor that puts rural entrepreneurs at a major disadvantage. In Uttarakhand, for instance, entrepreneurs in Khatima get electricity for only three to four hours a day and that too with frequently fluctuating voltage.

For start-ups in remote areas, transporting goods is a big headache. They often have to use buses. There are schemes to facilitate rural transportation, but there is no helpline to assist entrepreneurs

For entrepreneurs in remote areas, transporting goods is yet one more headache. They often have to use passenger buses. There are schemes to facilitate rural transportation, but there is no helpline or clearing house to assist entrepreneurs at this task.

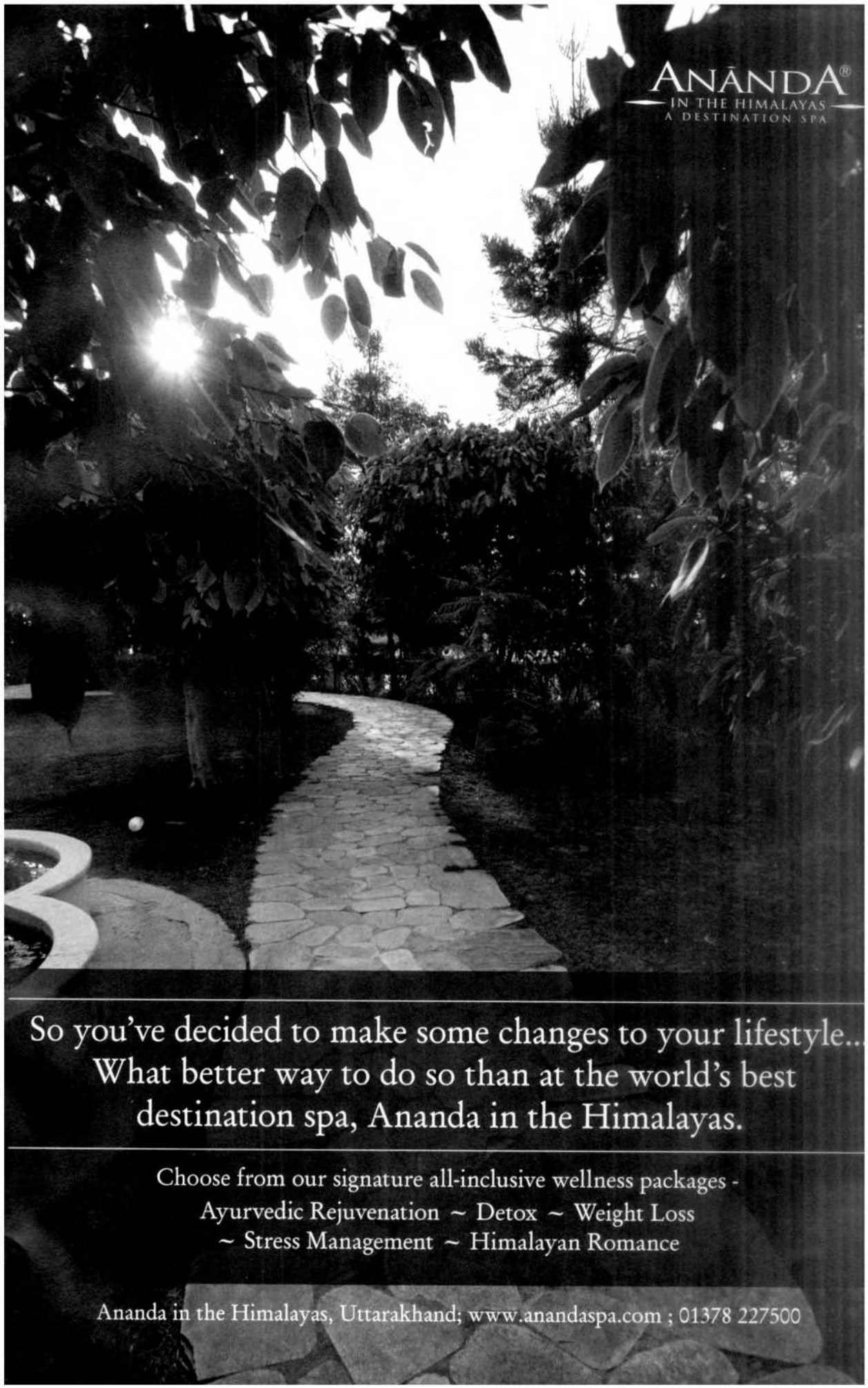
Some of these problems may be intractable, but there is still much the government can do to encourage entrepreneurs. For instance, every Collector and Project Devel Officer should hold a weekly clearin for entrepreneurs to sort out all their p right away or before the next meetin

The workshop facilities of in training institutes and polytechnics as those of engineering, agricultur macy and other colleges should b available to entrepreneurs at night at sional rates. There should also be a of common workshop facilities fo quality fabrication, design and manu in every taluka. Retired engineers f Army and other public and privat units should be invited to these work

B-schools should be encouraged entrepreneurs developing the and getting f District-level in venture funds s set up to encou vestments in r terprises.

The Hon Network a National Innovation Foundation, which identify and nurture grassroots tion in the country, can play a very u by linking innovation, investment a prise through its large network of in Unfortunately, there is very little an ing and incubation support at the level, and very little mentoring by the entrepreneurs or industry associati things can be changed by getting the agencies more energised and setti time-bound goals. We need retired crats and managers to offer their exp services for free or on some basis of payment to budding entrepreneurs.

The author is the founder of H Network and Vice Chairm National Innovation Fo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Nandini Vaidyanathan

Bootcamp for Entrepreneurs

When people ask what I do for a living, I say I teach entrepreneurship and mentor entrepreneurs. Invariably the next question is: how can you 'teach' entrepreneurship? One is either born an entrepreneur or one is not!

I refuse to believe that anything as important as entrepreneurship can be left to the caprice of a DNA. Entrepreneurship is like leadership. While there are 'born' leaders, there are also others who can be 'made'. So is it with entrepreneurs.

My observations on creating entrepreneurs are the following:

- There is greater awareness about entrepreneurship and its importance than before. But awareness is not enough. In an entrepreneurially under-served economy like India's, it is very important to create the right environment for entrepreneurs to grow, one in which they can be mentored, networked and given some pre-seed/seed money to take their ideas to the market.
- The more prestigious a B-school is, the less it encourages entrepreneurship. Its brand equity comes from placements. So the entire focus is on mass production of elitist management intellectuals. If in a batch of management students, one or two opt out of placements because they want to be entrepreneurs, they are showcased with pride. Almost as if to say, we tolerate the differently abled!
- Young people in tier II and tier III towns are keen to become entrepreneurs but there are neither any courses in their towns nor any events that are entrepreneurship-centered. I feel extremely sorry when I visit colleges in places like Nagpur, Guntur, Meerut or even Guwahati.
- Schools that teach entrepreneurship seem to think that it is like any other management subject. Whenever I see a chapter with the heading: 'Role of entrepreneurship in economic development', I gag. The curriculum is so unimaginative that I am convinced the people who design the courses have no clue as to what entrepreneurship is all about.

In most schools, entrepreneurship is taught by management professors who have never been entrepreneurs themselves. You cannot teach entrepreneurship successfully unless the subject inspires you. Entrepreneurship is all about passion. Before I began teaching, I put myself in an entrepreneur's shoes.

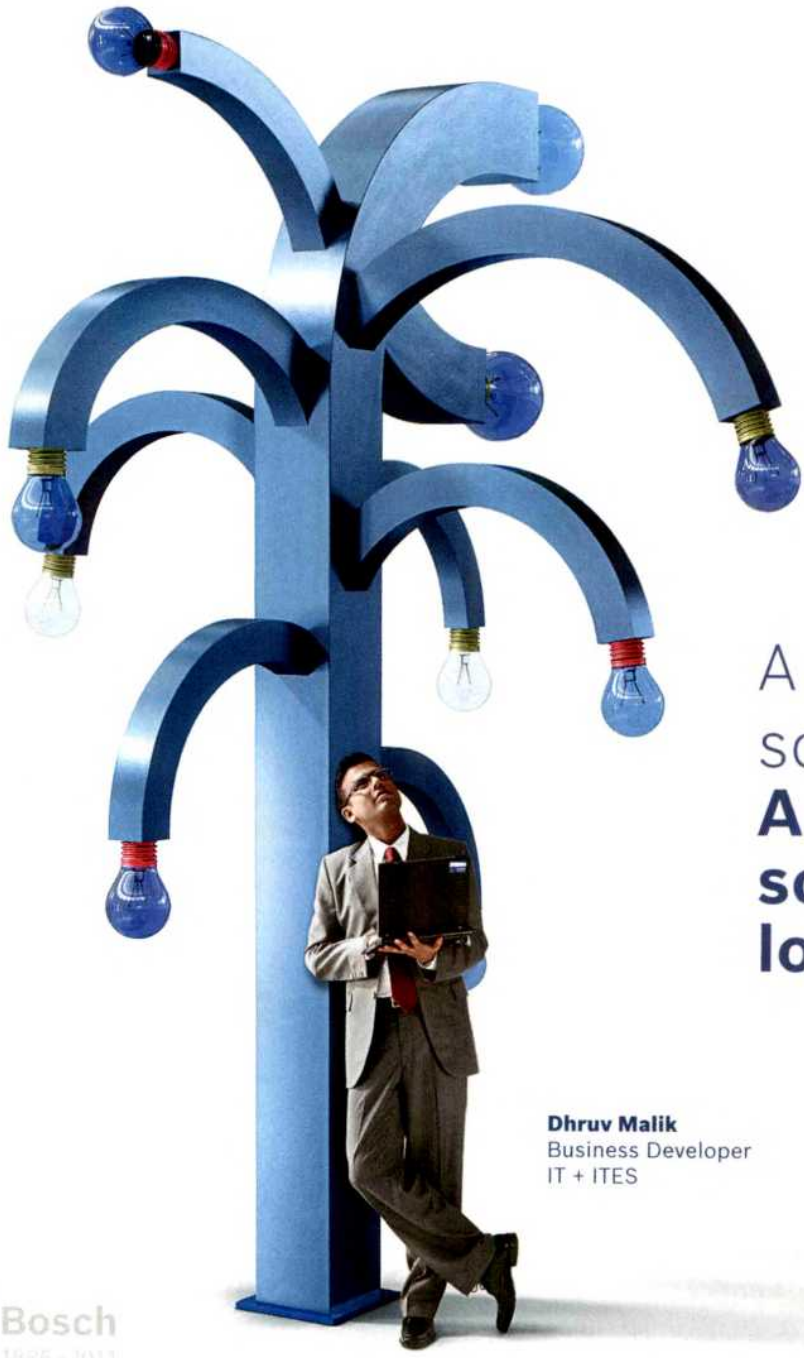
An entrepreneurship course should teach two fundamental skills: how to own the roadmap even if you do not own the business. Even if you are an employee in a company, you can perform and ideate as if it was your own company.

It should also teach how to spot an opportunity, how to validate it in the marketplace, and then evolve that into a full-fledged business plan. This skill is a must at all levels.

Nowhere in India have I come across entrepreneurship courses linked to incubators — specialised agencies that support new businesses. In fact, there are very few incubators in India. Nor is there any awareness of the importance of incubators. This is why very few students become entrepreneurs. Incubators are a must, especially in tier II and tier III towns, whose needs are greater. ◆

The author teaches entrepreneurship in B-schools and engineering colleges

The more prestigious a B-school is, the less it encourages entrepreneurship. The entire focus is on mass production of elite management intellectuals



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The Science and Art of Selling Innovations

'NOT INTERESTED'. That is the invisible signboard many entrepreneurs face as they try to pitch their new ideas to the world — or often, even in their own organisations. Many dreams thus die an untimely death.

Innovation on its own does not guarantee success. Only after it has been sold to customers and stakeholders can it be called successful. Taking an innovation past the inevitable roadblocks is an inexact science, but the following tips may help to do so:

We all resist change. Innovators should understand that changing mindsets to give the new product or service a try is not going to be easy. They should be ready for the long haul.

But change is necessary. And it does occur. The Church told Galileo to be reasonable and let the world continue to believe that the sun went around the earth. He refused to be reasonable, and that is why today man is able to fly into space and plant flags on the moon. Innovation leads to progress, and innovation comes from being unreasonable.

The initial response to an innovation often depends on its nature. Does your innovation solve problems or give pleasure? Or, as I often ask, is it an aspirin or a vitamin? Usually people are more ready to pay for a new kind of aspirin than for a new vitamin, even though in the long term a well-marketed vitamin could make more money than an aspirin. Solve a real problem with your innovation, and people will be more than willing to buy it. Thus, the marketing of an innovation should seek to project it as an aspirin rather than a vitamin. Let's say your innovation is a catalyst that enables you to get more horsepower out of every drop of fuel. The 'vitamin' way to position it would be to claim it gets you "more power from your fuel". The 'aspirin' way would be to say "spend much less to get the same power". The second pitch is more likely to gain traction earlier.

Market leaders rarely welcome innovation. Search out instead the aggressive fifth biggest player — this company will usually be more willing to take risks. If your innovation is a better way to hire people online, do not go to the largest employers; they have way too much invested in their current systems. Go to a company which aspires to becoming big without spending too much money. Or investing in the system the *numero uno* already has. It is more likely to listen to you.

Sell the steak not the sizzle. Present the actual benefits of your innovation, cutting out the hype. Underplay the novelty, tone down the grandiosity, and present it as the simple, next logical step in your industry. Let others say how great your innovation was.

Charge up your team. Your team is the one that is doing the research. You are the one trying to sell the innovation. Make sure your company gets excited about new inventions and discoveries when they are announced. Celebrate them internally.

Present a relatively deadpan face to the world. But do all you can to make your own workplace a dream place to work at. Make it a people magnet. ◆

Innovation on its own does not guarantee success. Only after it has been sold to customers and stakeholders can it be called successful

The author is founder of digital marketing firm Pinstorm and Seedfund, an early-stage venture capital fund

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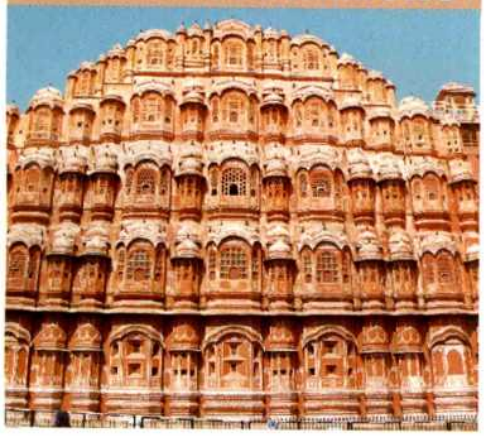

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Pradeep Gupta

Why Scaling Up is Tough

Scaling up, or taking a start-up to the next level, is one of the biggest challenges for entrepreneurs. The first hurdle that can hold them back is complacency. When they begin, many entrepreneurs have fire in their bellies that drives them to innovate, aspire and take risks, but as they reach a certain level of success, this fire often dies out. The business fails to move to the next level. It is, therefore, essential for them to rekindle the fire if they want to rise further.

A number of start-ups are also unable to make the transition because of differences between partners who initiated them. Partners are usually people with much in common, who developed strong bonds while at a campus together, or at an earlier workplace where they were employees. Yet, once the business reaches a certain level, there is often a diversion of goals.

One partner may want to sell the business and keep the cash, another may want to remain at the same level, while a third may want to grow. It is essential for partners in a start-up to have congruity of purpose.

Another bottleneck is absence of delegation. When a company starts, the entrepreneur behind it often performs multiple roles, from chairman to caretaker. He takes a wide range of decisions from technical ones to marketing, from production to administration. His team too depends on the entrepreneur for every kind of decision. At a later stage, this hampers growth. The entrepreneur soon finds his knowledge inadequate to tackle challenges, or faces time management problems, which hold back the company.

A number of start-ups are unable to make the transition because of differences between partners who initiated them

To achieve genuine delegation of responsibility, a second rung of leadership has to be created and empowered. Till this is done, businesses cannot scale up. Entrepreneurs often feel that by delegating they are giving up control. In reality, they are helping the business to bloom.

There are three more challenges. When a small number of people are involved, as is usually the case with start-ups, they all share the same vision, beliefs and goals. But once a company starts growing, a proper system needs to be worked out so that everyone working for it remains on the same page. Defining a clear vision and mission becomes very important, but this is often not done.

There is also the pitfall of execution. In entrepreneurial companies, much work gets done without being formally recorded. Inherently, a small group shares more information and has greater clarity about the company's plans than the rest. But as the company grows, such informality has to be replaced by processes, technology and internal communication.

Resources — both money and people — present their own challenges. Entrepreneurs often bootstrap their companies and use the same philosophy for scaling up. This needs to change. Execution plans must be adequately funded for people to execute and deliver as expected. The key to scaling up is to scale up the organisation's capabilities. Once this is done, the scaling up in terms of performance, revenue and profitability will automatically follow. ◆

The author is the chairman of Cybermedia, a speciality media house

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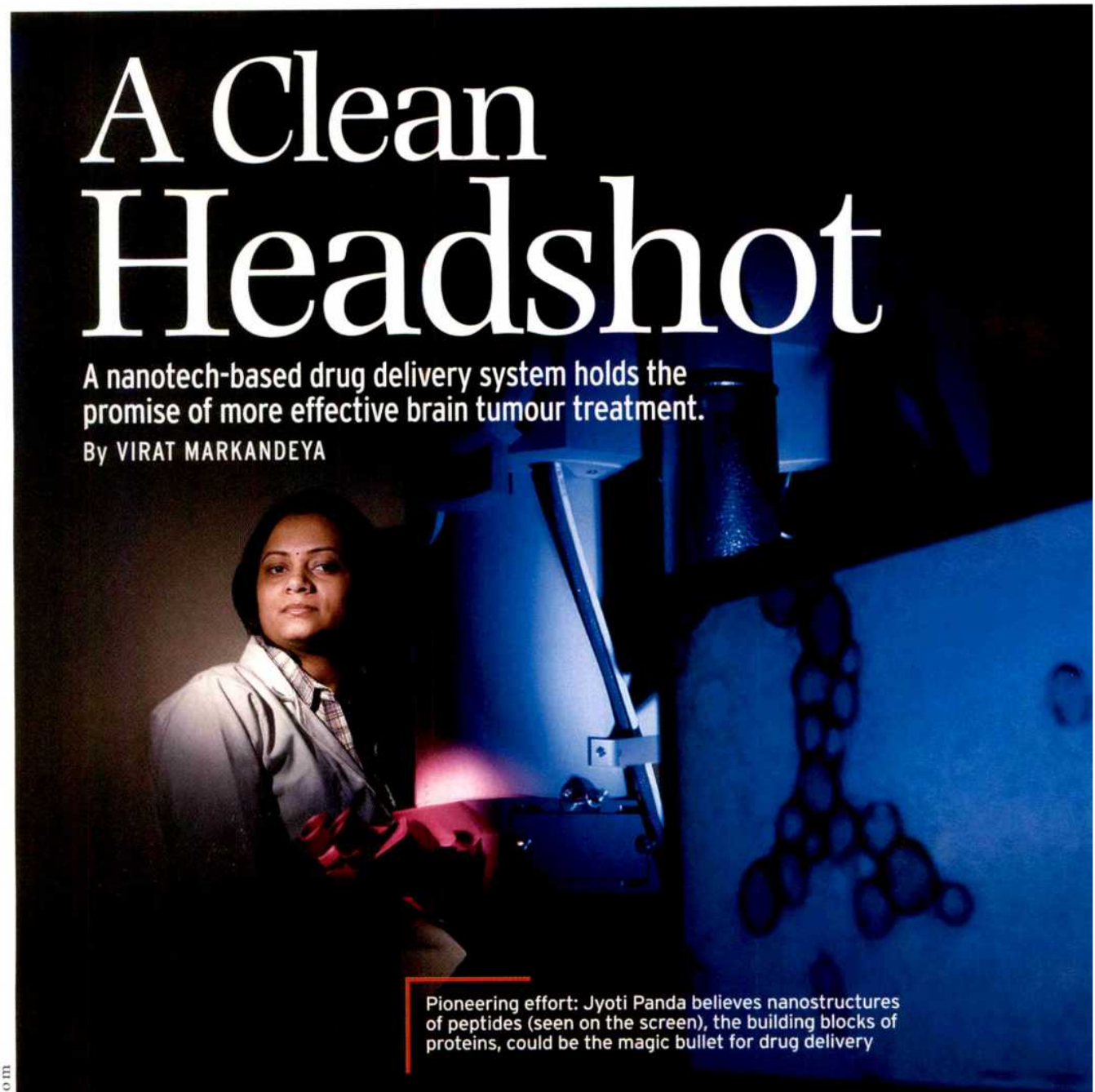
A Clean Headshot

A nanotech-based drug delivery system holds the promise of more effective brain tumour treatment.

By VIRAT MARKANDEYA



Pioneering effort: Jyoti Panda believes nanostructures of peptides (seen on the screen), the building blocks of proteins, could be the magic bullet for drug delivery

SAPTARSHI BISWAS\www.indiatodayimages.com

The body is a zealous guardian, and the brain its prized asset. To keep the brain — three pounds of jelly packed tight in innumerable folds — protected, the body isolates most of it from the bloodstream. Doctors call it the blood-brain barrier. So, a vital question while dealing with a tumour inside the brain is: how does a drug dose breach this barrier to reach the tumour site?

It is a question oncologists have grappled with for long. It is also one to which Jiban Jyoti Panda, a PhD from the International Centre for Genetic Engineering and Biotechnology, or ICGEB, in Delhi may have an answer. "The brain is very selective in choosing what goes inside it," she says. "Only a few molecules, like amino acids, can enter the brain from the bloodstream." Thus, when a patient is given a drug to tackle a brain tumour, as little as two per cent of the dose may actually get past the barrier.

It means doctors have no option but to perform an invasive surgery or procedure. The alternative would be a kind of shock-and-awe strategy of pumping the patient with large quantities of the drug, so that somehow the requisite amount to destroy the tumour enters the brain. The collateral damage for the surrounding issue, which absorbs the remaining

dosage, may be considerable. "Even a little toxicity will damage your brain," says Dr Panda.

Now, she and her doctoral advisor, Virander S. Chauhan, who is also the director of ICGEB and a PhD from Oxford, say they are researching a more elegant means of delivering drugs to the brain or the retina, where a similar barrier exists. It consists of using peptide nanostructures as drug delivery systems. Just what are peptide nanostructures? Peptides are building blocks of amino acids inside proteins that hold the protein together. Peptides can self-assemble to form a structure at the nanoscale — several powers smaller than the breadth of a human hair. The idea is to insert the drug dosage inside the building blocks, since the body does allow amino acids past the blood-brain barrier. The drug is passed into dipeptides (or very short peptides, just two amino acids linked together).

Jyoti Panda says developments in nanotechnology that allow such nano-tinkering are all fairly recent. She mentions a 2003 research paper by Israeli scientists, published in the journal *Science*, titled *Casting Metal Nanowires Within Discrete Self-Assembled Peptide Nanotubes*, as significant. But Chauhan says the paper merely provides an example to show that very small peptides can self-assemble. It was not any particular paper but overall developments in the nanosciences — and the fact that peptides are extremely bio-compatible — that threw up this possibility.

What hits the nail on its head is that it may be possible to customise the peptides carrying the drug to target specific tumours. As the cancer plunders cells to fuel its growth, it could be fooled into devouring a drug dosage disguised as a resource.

"Cancer cells differ from normal cells in many ways," says Chauhan. "One of these differences is that cancer cells have specific molecules over-expressed on their surface. If the delivery structure can be made to recognise those specific molecules, and thus identify the cancer cells, then obviously this kind of delivery will become more specific. Peptide-based nanostructures allow us to place these recognition motifs for cancer cells on them." Their unpublished results have been promising, he adds.

The hope is that the delivery system will move out of the laboratory to be taken over by industry for commercial production. In March, Jyoti Panda was awarded a fellowship by the cosmetics company L'Oreal to work at the School of Pharmacy, University of Colorado, US, on customising nanostructures to target specific types of tumours.

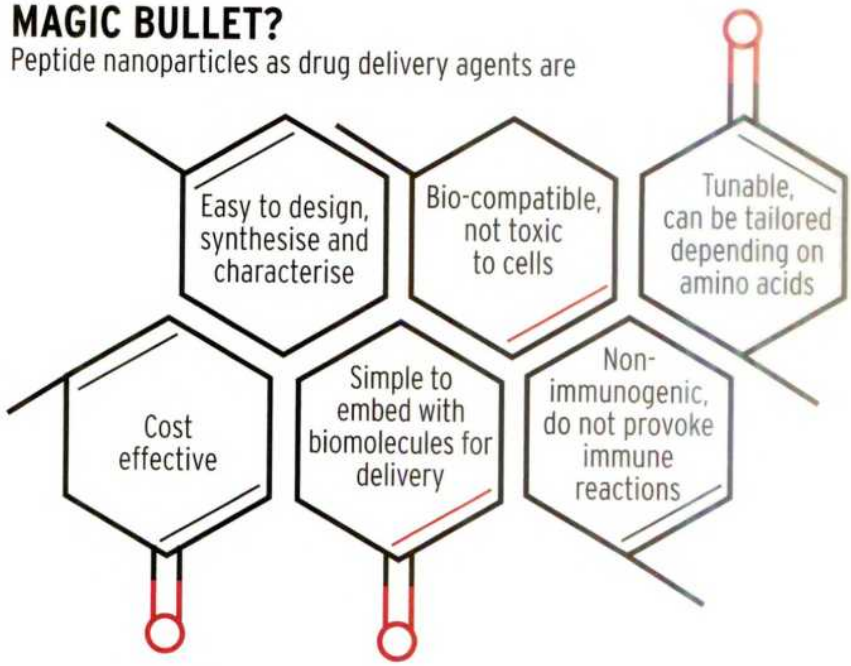
Indeed, peptide-based drug delivery systems have attracted attention from even Swiss pharma giant Roche, which had agreed last year to pay as much as $1.1 billion or ₹4,950 crore for a technology called stapled peptides. In India alone, the market for drug delivery systems would be at least ₹13,500 crore, according to Dr B.S. Ajaikumar, Chairman and Managing Director of HCG Enterprises, an oncology care and research institution. "Targeted delivery platforms, even using systems other than nanotechnology, are being studied to tackle cardiovascular diseases, diabetes, hepatitis, HIV and cancer," says Dr Chandrashekhar Potkar, Director, Medical and Regulatory Affairs, Pfizer India.

But challenges remain. "The use of nanotechnology in drug delivery will not work until we have effective quantifiable bio markers for all cancers," says Dr Ajaikumar. (Bio markers are characteristics of cancer cells that render them identifiable.) "We have bio markers only for breast cancer, colon cancer, and lung cancer. The challenge is to discover all the bio markers for each cancer type."

Based on these receptors, it is possible to develop effective drugs to work only on cancer cells and not on normal cells, but the catch is that each cancer type may express multiple receptors requiring multiple drugs. As Dr Ajaikumar sees it, "Cancer is not a single disease. It is like different diseases throwing a surprise at us when we think we are close to the treatment. It is elusive and it undergoes mutations, which makes it more difficult to come up with a single answer." ◆

MAGIC BULLET?

Peptide nanoparticles as drug delivery agents are



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AMOUNT OF GOLD INDIA CONSUMED IN 2010

Gearing Towards a Strong Base

Like precious metals, base metals too can give good returns if the timing is right.

By RAHUL OBEROI

The interest of investors in commodity trading has been growing. Commodities have various investment options which can outpace other traditional investments. In the last one year, we have seen that the price of silver has more than doubled, soaring from ₹25,750 to ₹55,655 per kg, while that of gold has gained around 26 per cent from ₹16,335 to ₹20,682 per 10 grams.

Investors who had got on to the precious metals bus at the right time must be reaping good returns. But apart from precious metals, market experts believe that a number of base metals too, which include copper, lead, aluminium, zinc, nickel and steel, are another option for investment. These metals, barring nickel, can also give handsome returns in the long term. We spoke to market experts and tried to find out why you should invest in base metals.

Why Base Metals

The prices of base metals are related to their overall demand scenario. As base metals are mainly used in

industrial and infrastructure related activities, their overall demand is dependent on global economic growth.

India being among the fastest growing nations, it is obvious that the domestic demand for base metals will remain strong. Tarang Bhanushali, Assistant Vice President, Research, India Private Clients, IIFL, says: "The base metal is a space which can be used as a proxy play on the economic growth of major countries. A growing economy such as India is bound to increase its investments in infrastructure which will lead to higher demand for metals in this category. Also, with supplies restricted, commodity prices are bound to move up as the pace in demand growth will beat increase in supply."

Other than good returns, having a direct stake in commodities can also protect investors' portfolio from soaring inflation. The loss from the rise in overall prices will be made up for by the gains that accrue from the increase in commodity prices.

Watch Out For...

Before investing in base metals, however, you should look into macroeconomic factors, the interest rate scenario and China's monetary policy actions, as that country is the biggest consumer of base metals. "Prices normally tend to rise during positive economic data reporting from China. Also movements of currency impact base metal prices. The recent interest rate hike by China has created fears of monetary tightening, leading to expectations of demand slowdown for base metals (in that country) and prices have fallen sharply from their highs," says Amarsingh Deo, Head, Commodities and Currencies Research, Aditya Birla Money.

There are several headwinds which can interrupt the movement of prices of base metals. Tapan Mishra, Head, Products, Ace Derivatives and Commodity Exchange, says: "Unaccounted inventories in China are giving a distorted picture of actual total supply. Rising inflation and interest rates in major developed countries, because of the recent jump in crude oil prices, has been leading to a slowdown in growth, thus affecting the demand for base metals."

For the Long Term

As a result of the recent earthquake and tsunami in Japan, it seems that the prices of base metals are likely to remain subdued in the short term.

The global economy, markets and macroeconomic landscape have been trying to assess the impact of the devastating earthquake that shook northern Japan on March 11. Praveen Singh, Research Analyst, Base Metals, Sharekhan, says: "The Bank of Japan decided to inject around 70 trillion yen, or ₹36.61 trillion (1 trillion equals 100,000 crore), in the financial system to stabilise the market and thereby the Japanese economy. The global economy has surely taken a hit, in the short-term at least. It is estimated that the Japan quake could cut the growth rate of the emerging nations. For example China's growth rate could be lower by half a percentage point."

At present, China's gross domestic product is $4,909 billion, which amounts to nearly 7.92 per cent of the world economy. Japan is the third largest commodity consumer in the world after the United States and China. However, in the medium-to-long term, these commodities will

"Japan will create fresh demand for metals for their redevelopment process in the long term"

SUMIT VERMA, Research Analyst, Geojit Comtrade

see demand from Japan on rebuilding prospects since base metals are used in infrastructure building. Sumit Verma, Research Analyst, Geojit Comtrade, says: "Japan's tsunami will create fresh demands for metals for their redevelopment process over medium to long term."

Jayant Manglik, president, Religare Commodities, says: "Demand from China and other countries continues to support higher metal prices. Global growth in the last decade has driven base metals prices to periodic new highs." As noted, during 2010/11, silver and gold touched their all-time closing highs of ₹55,950 per kg and ₹21,087 per 10 grams on March 24, 2011 and March 7, 2011 on Multi Commodity Exchange, or MCX, respectively. "The recent policy of quantitative easing of governments worldwide has again ensured firm base metal prices. Like all commodities, base metals pricing is driven by demand and supply but during the period of high demand, like now, even small supply glitches can lead to spikes in prices," he adds.

Investment Options

Base metals such as steel, copper, nickel, zinc, aluminium and lead are trading on various commodity exchanges like the MCX and the National Commodity & Derivatives Exchange, or NCDEX. Let us take these commodities individually and try to understand how good they are from an investment point of view.

Copper: A key industrial metal used in housing and construction, copper is currently the most attractive investment avenue, due to the increasingly bullish supply demand fundamentals. Another important reason for copper demand is the bullish sentiment over the launch of copper exchange traded funds, or ETFs. JP Morgan is among the first which has made a filing with the US Securities and Exchange Commission for launching an ETF for Copper. This has boosted investment demand in the industrial metal. In 2010/11, the price of copper surged 21 per cent to ₹428 per kg. However, experts are negative on copper for the short term. "Copper can fall to ₹380 per kg in the short-term; but the metal is likely to rise sharply when Japan begins to rebuild its crippled infrastructure," Singh of Sharekhan adds.

TIPS TO INVEST IN BASE METALS

Check inventories at the **London Metal Exchange's warehouses** regularly

Movement of the dollar and trends in the housing sector can provide cues

Weather, natural calamities, political unrest in the production centres matter a lot

Demand for various base metals from developed economies affects their prices

Strategies of **leading hedge funds across the globe** in the commodities sector offer tips

Lead: During 2010/11, lead prices managed to gain around 26 per cent on the back of strong demand from the battery industry. The principal consumption of lead is in lead-acid batteries, which are used in vehicles, and in emergency systems, as well as in industrial batteries found in computers and forklift trucks. Lead demand has managed to keep growing as demand for lead-acid batteries expands as more and more cars are produced. During March 2006 to March 2011, lead prices rose 130 per cent to ₹120.75 per kg mainly due to strong battery demand in China. "We remain bullish on lead as supply from mines will be curtailed and demand from the automobile sector and the industrial battery sector is expected to remain robust," says Bhanushali of IIFL.

Aluminium: The price of aluminium is likely to remain strong on the back of robust demand from the automobile sector in the long term. However in the short term, market experts believe there may be some correction due to increased political tensions in West Asia and North Africa. Also, Japan, Asia's biggest importer of aluminium, may cut down its imports as some of its factories are shut because of damage during the earthquake-cum-tsunami or following the resultant power shortages. During 2010/11, the price of aluminium on MCX gained 12.54 per cent to touch ₹116.20 per kg. "Aluminium price surged with demand from the recovering global market. The auto sector has been one of the largest drivers of aluminium demand, especially in the US and China. The short-term outlook for aluminium is mixed. The bearish

"Growing economies will increase their investments in infrastructure, **leading to higher metal demand"**

TARANG BHANUSHALI, Assistant Vice President, IIFL

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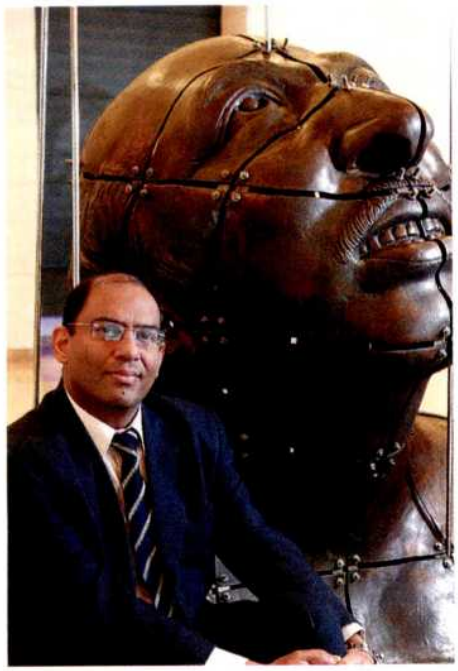


"Demand from China and other countries continues to support higher metal prices"

JAYANT MANGLIK, President, Religare Commodities

sentiment is on the back of increased tensions in West Asia and a spike in crude oil prices, which threatens the global economic recovery. Overall, the long-term trend is bullish and we expect prices to continue their rally and see another 10-15 per cent jump," Geojit's Verma added.

Nickel: The metal has gained 4.39 per cent in 2010/11 to reach ₹1,175.10 per kg. Market experts believe that it has been moving up because of good demand from the stainless steel sector and supply concerns emerging from the mine strike in Vale, the Brazilian mining company that owns the Voisey's Bay nickel mine. However, in the upcoming period it seems that the price of metal can come under pressure. Kunal Shah, Head, Commodities Research, Nirmal Bang Commodities, says: "The outlook for nickel remains negative as the restart of production in the mines which accounted for major supply concerns has put pressure on its price."

Zinc: Its price witnessed a fall of nine per cent in the first half of 2010/11, but recovered in the second half finishing at ₹104.65 per kg on March 31, 2011, lower by just 1.74 per cent against that on March 31, 2010. "The sovereign debt crises in Europe, inflation fears in China, weak housing data in the US and excessive supply of zinc kept prices under pressure," says Sandeep Joon, Senior Research Analyst, Commodities, SMC Global Securities. About the future prospects of zinc, Joon says zinc prices will remain firm in the near to long term as the casting and automobiles sector demand will keep its prices well supported. Japanese reconstruction and demand from emerging economies will give a further boost to the prices. Zinc prices may remain in the range of ₹105 to ₹120 per kg in the near term while it may touch ₹140 per kg in long term in the domestic market.

Steel: During the financial year ended March 31, 2011, steel prices rose by around six per cent to ₹30,600 per MT. Market experts believe that steel witnessed a rally due to decrease in the supply by China. "Steel prices have witnessed a rise last year as cutback of production in China coupled with rise in coking coal prices supported prices. In India, the price rally began in mid-December 2010 on the back of supply disruption of coking coal from Australia," says Reena Walia, Research Analyst, Base Metals, Angel Broking. Energy efficiency measures in China such as including rolling power cuts and assessing new projects for energy wastage — to try to meet its energy efficiency targets — affected steel production in 2010. But these have now been lifted. This may help to ease the supply-side constraints but the overall rise in input costs will continue to be a supportive factor for an upside in steel. "We expect the uptrend in steel prices to continue and expect steel to test levels of around ₹29,500 per MT in the short-term and rise further to around ₹31,000 per MT in the long term," Walia added.

A new financial year has just begun. In summing up it seems that if investors add some base metals, barring nickel, to their portfolios, it can help them hedge against rising inflation. It could also help to generate good returns by the end of the financial year. ◆

Courtesy: *Money Today*

GLOBAL PRODUCTION VS CONSUMPTION

	2010		2011	
	PRODUCTION	CONSUMPTION	PRODUCTION*	CONSUMPTION*
Aluminium	**41,302**	40,561	**43,514**	43,514
Copper	**19,303**	19,463	**19,977**	20,182
Zinc	**12,405**	12,190	**12,710**	12,690
Lead	**9,185**	9,137	**9,575**	9,599
Nickel	**1,425**	1,505	**1,520**	1,530
Steel	**1,414,000**	NA	**1,485,000**	1,340,000

Figures in '000 tonnes *Estimated Source: Angel Broking

A JOURNEY TO NEW AGE HOUSING

The real estate markets have bounced back. Renewed consumer confidence, albeit cautious, has been key, supported by improved economic news. In addition, we've seen sale price-to-list price ratios climb across the country. With the turmoil in financial markets subsiding (at least partially) and the flow of credit picking up, buyers have indeed returned to the market.

With the market sentiments touching the rock bottom in 2009, it is generally felt that a correction in price offerings across asset categories, rise in flexibility on part of developers and reduced valuations attracted the investor as well as end user interest in the market.

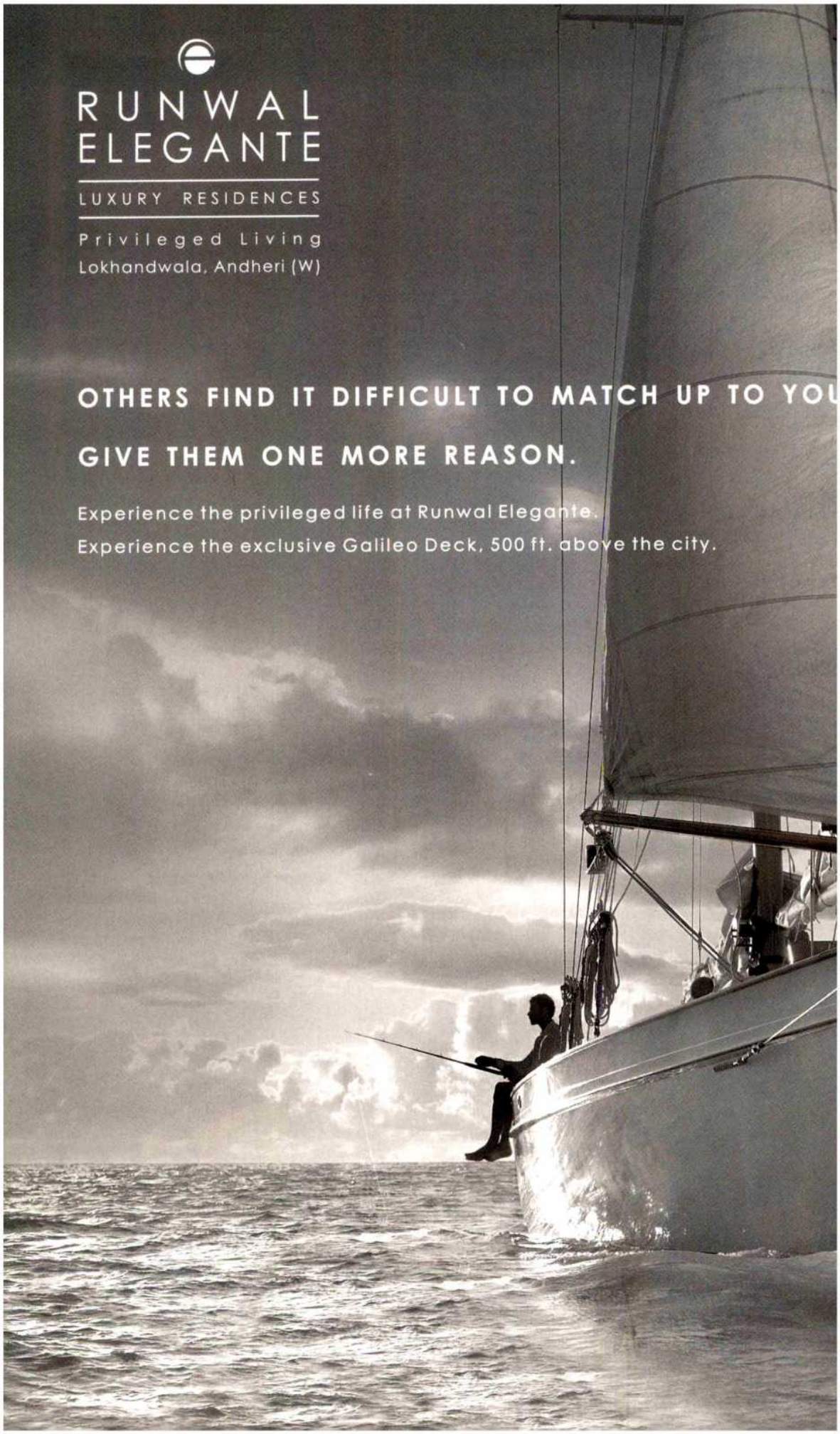
Mr Anshuman Magazine, CMD, CB Richard Ellis feels that the outlook for 2011 looks positive, though the supply dynamics continue to exert pressures on market recovery. India as a residential destination will witness a major challenge in the form of rising prices in major urban locations which is a direct consequence of speculative interest having entered major markets.

The residential segment in India is likely to exhibit stable trends during 2011 with respect to the property prices. This is in turn expected to result in persisting demand across all segments – affordable, mid and high. It is also anticipated that the housing segment may witness substantial supply in the high end segment feels Mr Anurag Mathur, MD of Cushman and Wakefield.

Mr Anuj Puri, Chairman & Country Head, Jones Lang LaSalle India is of the opinion that in the office market, the absorption of office space will continue to grow in the coming quarters. The demand for office space will be led by IT/ITes and BFSI sectors, which have contributed to over 50% of the office demand in 2009 & 2010. However, the supply overhang is expected to remain due to large supply in pipeline, resulting in continuous accretion of vacant stock.

The evolving political and economic scenario in India is likely to remain a challenge for the growth of realty sector, feels Mr Mathur. The key challenges enumerated by the experts are large supply pipeline, rising interest rates, absence of new instruments for real estate funding, element of speculation, liquidity crunch, rapid urbanization, sustainability concerns, low transparency and rapid upgradation of technology. The industry has been heavily dependent on bank debt, NBFC funding and end-user advances. This is because bank debt is a cheaper option, and also offers flexible tenures. NBFC funding is also available at cheaper rates and is more flexible in terms of repayment and availability, while end-user advances represent interest-free finance. Speculating whether rising capital was still an issue, Mr Puri feels raising debt through banks is getting difficult due to tough conditions imposed by RBI towards lending to real estate. Also, raising equity through the stock market has proved difficult due to uncertain conditions in the stock market.

Standing up in these testing times are real estate companies who have delivered their best in the testing times of recession. These faces have become the backbone of the overall infrastructure growth in India. Only because of them in this recession Indian economy has moved much faster than the other economies of the world.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THE GALILEO DECK
500 FT. ABOVE THE CITY

IPOs and QIPs have also emerged as attractive routes for raising capital. However, unless the government promotes alternative funding channels like Real Estate Investment Trusts (REIT) and Real Estate Mutual Funds (REMF), plus opening up the sector for foreign investors, raising capital is restricted to few mechanisms only surmises Mr Magazine. But Mr Mathur says that the PE firms were returning to real estate investments through project financing rather than equity as an easier exit option coupled with the relatively higher returns from the sector. With the middle and low cost housing on a maximum growth trajectory Mr Magazine comments that growth has been witnessed across all income categories, however, demand is more for mid to low income housing (often labelled as 'affordable housing').

Mr Mathur supports the view with data and says in 2011, the mid range segment is likely to continue dominating, with the segment accounting for approximately 53% of this demand. Whilst the low cost housing is expected to contribute 29% to the total demand, the high end segment is expected to constitute 17%.

Mr Magazine enumerates the key challenges for the upcoming suburbia in leading metros of India and said suburbs have emerged as leading destinations for real estate growth across the country. Expansion in city limits, rising population burden on metropolitan centres, large scale land availability for developers have fuelled real estate growth in these satellite city centres. Towns such as Gurgaon, Noida, Navi Mumbai and Rajarhat are hubs of most commercial activity in their respective cities with the presence of a large number of IT and back office companies. He feels amongst the key challenges being faced by suburbs were supply influx /demand-supply mismatch and infrastructure growth and regional connectivity.

Mr Mathur opines that all the real estate segments have already started to register strengthening market sentiments. Driven by improved job market scenario, the commercial market is likely to witness increased demand for office space. According to a report published by Cushman & Wakefield approximately, demand for 35.7 million square feet of office space is charted during 2011 across the major cities. The report also indicates that while the retail segment is likely to witness a demand of 7.68 million square feet, the residential segment is expected to register a demand of around 0.41 million housing units across the major Indian cities.

Mr Puri is of the view that in 2011, although select developers would still launch premium projects, the rate of new supply in the segment is expected to remain range-bound in the near term.

Unitech has extensive experience in developing luxury villas, lifestyle golf apartments and bespoke designer villas in Delhi NCR, all exclusively designed keeping in mind the aficionados of an indulgent lifestyle.

However, the premium projects are slated to outperform each other with displays of irrational exuberance in terms of world class architecture and unmatched amenities. Pricing the projects is critical to attract buyers who are sitting at the fence. As an invitation to a lifestyle less ordinary, Unitech has brought to Noida, India's most luxurious, exclusive and upscale township - Unitech Golf & Country Club.

"Unitech has extensive experience in developing luxury villas, lifestyle golf apartments and bespoke designer villas in Delhi NCR, all exclusively designed keeping in mind the aficionados of an indulgent lifestyle. Uber-luxury residences coupled with club class living sums up the true essence of UGCC–Unitech Golf & Country Club. With a signature 9-hole golf course, night golfing facility, bowling alley & equestrian academy to boot – Unitech brings to you the very best in world-class golf living. From a clean green environment that promises to uplift your mood and rejuvenate your senses, to a 24x7 concierge service at your beck and call for you to enjoy the finer moments of life, this signature project has everything that you would only be proud of to call your home." Mr. Vikram O. Datta VP-Marketing, Unitech.

This 347-acre township just off the Noida expressway is planned around a signature 9-hole golf course. UGCC has been envisioned as a landmark in club class lifestyle, which will push the boundaries of luxury living in India. A hop away from the posh colonies of South Delhi such as Maharani Bagh and New Friend's Colony and adjacent to Amity Business School, Noida at the tri-junction of DND Flyway, Kalindi Kunj flyover and the Noida Expressway, UGCC has excellent connectivity to the rest of Delhi NCR.

The Deck at Unitech Golf & Country Club is an exclusive golf lounge experience, overlooking the signature 9-hole golf course. To compliment this grandeur and style, UGCC will provide world-class amenities- a plush 1, 50,000 sq. ft. Golf Clubhouse with a pro shop and night golfing facility, an Equestrian Club housing the most elegant stallions, a World Class Sports Academy for tennis, football and cricket, aesthetically designed Sky Lounges and gardens adorned with exquisite water bodies — UGCC will have it all. With 24x7 premium concierge services at your beck and call, indulge in the finer moments of life. Truly unparalleled in its magnificence, Unitech Golf &Country Club is a place with access only to a privileged few, who demand a lifestyle less ordinary.

Another group that has grown to be one of the most trusted brands in the real estate industry is the ATS group. Today ATS is a national conglomerate with presence in 6 cities – Noida, Indirapuram, Dera Bassi near Chandigarh, Goa, Gurgaon and Dehradun.

Superb construction, superior design, well-planned and thought-out spaces result in a very special living experience at ATS. ATS projects at Delhi & NCR have been very well received by the customers. The developments have been planned with an eye for spaciousness, greenery and fresh air. The arrangements of the towers at all ATS properties are such that every apartment overlooks either park or greenery or both. At the same time privacy of the residents is maintained by ensuring that no two apartments face other.

A feeling of largeness and green open spaces is a distinctive element of all ATS developments. Facilities like 24-hour power backup, 24-hour treated water, fire fighting systems, modern lifts, jogging tracks, gymnasium, table tennis court, swimming pool, ornamental pools, playing space for children, club, amphitheatre, community hall, bakery, beauty salon, chemist shop and a departmental store are made available to the residents. Beautifully maintained parks, flower-bordered walkways, and patches of greens tucked away between the towers is one of the distinctive features of ATS properties, making them the perfect choice for quiet and stylish and comfortable living close to the city!

With the plan to develop India, **Amrapali Group** stands out with its steadfast dedication to quality and delivering projects on time.

Amrapali Group, a prominent player in the real estate sector is built on the pillars of profound vision of quality and commitment towards society and national priorities. The man behind the so far success of this incredible group is none other than Dr. Anil Kumar Sharma.

Amrapali understands the importance of quality and ensures the best of technology, planning, design and construction for all of its projects. Apart from Delhi-NCR, the group has a strong presence in cities such as Lucknow, Bareilly, Vrindavan, Muzaffarpur, Purnia, Jaipur, Jodhpur, Udaipur, Raipur, Kochi, Mysore and Indore.

Yet another residential project from Amrapali's stable to look up to is Dream Valley. Spread across an area of about 100 acres, the project comprises high-end expandable independent villas. Virtual signature of magnificent luxury, ideally located in Greater Noida, the master plan of the Dream Valley has been developed by G.P. Mathur & Associates. The project with nearly 50 acres of open space presents a rare opportunity to lead a splendid lifestyle of exquisite villas in NCR. To enhance the lifestyle of this gated community further, the project incorporates every conceivable amenity along with the best of luxury features. Health club and gymnasium, Jacuzzi and sauna bath, green area with beautiful landscape, latest fire-fighting equipments,

planning as per vaastu norm, Billiards and cards room, club with pool, landscaped gardens with flower beds, 3-tier security, fully air-conditioned party hall, convenient shopping centre for daily needs, ample parking space being the few to name. Adding a new dimension to these features, the project will have such exclusive facilities as a cricket and Golf academy.

Amrapali Heart Beat City is the latest launch of Amrapali Group located at Sector 107 Noida. The Heart Beat City offers 2,3 & 4 bedroom apartments with excellent amenities such as, landscape garden, kids play area etc. Like the other projects of Amrapali Group, the Dream Valley is a great residential offer. It is a high-end luxurious project, yet it presents great worth for money in addition to the lifestyle that's difficult to dream in NCR.

Jaypee Green Sports City is luxury redefined, a city which is one of the largest and best planned city. They offer consumer, a lifestyle. Being a leader Jaypee Greens has always endeavored to pre-empt trends by understanding changing customer requirement and offering the best to them. Jaypee Greens understood the need for creating integrated townships and launched the City while townships were being built. Jaypee Greens Sports City, first privately developed urban township is located at Yamuna Expressway.

Spread across 5000 acres, Jaypee Greens Sports City is the country's first completely integrated global city planned by world renowned architects and planners such as Peter Ellis, RSP Designing, WSP India etc.

A proposed international airport in the vicinity, expected metro and railway connectivity together with well planned roads gives Jaypee Greens Sports City a locational edge like no other. One of the main attractions of the city is the Buddh International Circuit which will host India's first Formula-1 motor race with the seating capacity of approximately 150,000 people.

Life simplified at Jaypee Greens Sports City Jaypee Greens Sports City gives consumers the option of choosing from personal suites at Kassia, residential plots from Krowns, Country Homes with landscaped gardens or villas, town homes and mid to high rise apartments blocks; pictorially located close to the water bodies at the Lake District. When it come to education, Jaypee Greens understands the value of education in a child's life and has thus provided easy access to the best of world class facilities and infrastructure complete with all educational aids. This enticing city also offers international standard restaurants, convention & exhibition centers, business parks etc keeping in mind all kinds of needs of the residents. **Green Zone** despite boasting of all possible modern amenities, the city will be built on environment friendly principles. It has been made sure that everything about the project strictly adheres to the principle.The homes design intelligently uses sun-light, space and water to significantly lower the utility bills. Rainwater Harvesting and Storm water drainage system has been adopted to conserve water.

Green Boulevard Jaypee Greens Sports City will be surrounded by a lush, thick, 16.7 km **Green Park Boulevard** which acts as the spine of the city. This

unique boulevard ranges from 60 mts to 200 mts wide at any given point in its length and designed in a way to facilitate any residents to reach it within 5 to 10 minutes.The amazing aspect about the green boulevard at Jaypee Greens Sports City is its division into thematic parts that contributes to the overall look and feel of the city. There is the Crescent section to cater to the shopping needs of the residents, the Children's Forests where the children can run free, a Central Park for the pleasure of art and nature aficionados and a Culture Park that will exclusively hold events related to music and outdoor art and culture. Not to forget the Lake District Park that not only beautifies the place but also aids in sustaining the city.

The city will mark arrival of Formula-1in India. The 5.5 km Hermann Tilke conceptualized racing track spread over 875 acres has already become a city land mark. The Formula-1 event is going to take place in India for the first time in October, 2011. Jaypee Greens Sports City is the next big thing in sports destination, creating a ripple already in India and abroad. And of course there will be a golf course, and a sports stadium for other various outdoor and indoor sports and an international standard cricket stadium that has the capacity to accommodate nearly 1lakh spectators and future, presenting the best in shopping, recreation, entertainment and sports facilities. Come live a champion's life in Jaypee Greens Sports City.

In the west of India consistently churning up homes for stars, the **Runwal Group** presents Runwal Elegante, Luxury residences at Lokhandwala, Andheri with the Unique Galileo Deck, 500 ft above the city. The Runwal Group, a leading player in construction and retail business was established in 1978 by its visionary founder & Chairman - Mr. Subhash .S. Runwal. A C.A. by qualification but a true humanitarian A visionary who lives by the principle of "Nothing is impossible with hard work, sincerity and farsightedness". Under his guidance and support, the Runwal Group, a Mumbai based organization has widened its arena from construction of properties to now development and management of Malls. The group has the largest Retail Chain in Mumbai with over 2 million sq.ft. of GLA & footfalls of 2.5 million in a month. It owns & manages over 4 Malls in Mumbai, including R City , Mumbai's Biggest Mall at 1.2 mn sqft at L.B.S marg, Ghatkopar, Off Powai & R Mall, Mulund , Mulunds first & most prestigious mall to date.

The Runwal group started its journey in Mumbai with a single building project in Thane , but in the last 32 years, Runwal Group has given shape to more than 50 prestigious projects in the residential, commercial and retail space. Quality construction, timely delivery & innovative architectural design are the hallmarks of any project of the Runwal Group.

The Runwal Group enjoys tremendous Equity & Goodwill and is identified as an established player in the real estate market. The Group has the privilege of being recognized as a "preferred developer" of real estate by the Maharashtra Government. It is known to having transformed the real estate scenario in Mumbai with its people and their oriented approach, far sightedness and a keen sense of judging the changing tastes and preferences of the people.

Built on the solid foundation of quality & service and the strong pillars of professionalism and customer satisfaction, the group has been offering modern lifestyle residential masterpieces to its customers. Its every project is reputed for distinctively thoughtful planning, architectural excellence, and abundant greenery and above all, the latest amenities, tailor made to suit specific customer requirements ■

The Runwal Group, a leading player in construction and retail business was established in 1978 by its visionary founder & Chairman - Mr. Subhash .S. Runwal. A C.A. by qualification but a true humanitarian A visionary who lives by the principle of "Nothing is impossible with hard work, sincerity and farsightedness". Under his guidance and support, the Runwal Group, a Mumbai based organization has widened its arena from construction of properties to now development and management of Malls.

LAST BUT NOT LEAST

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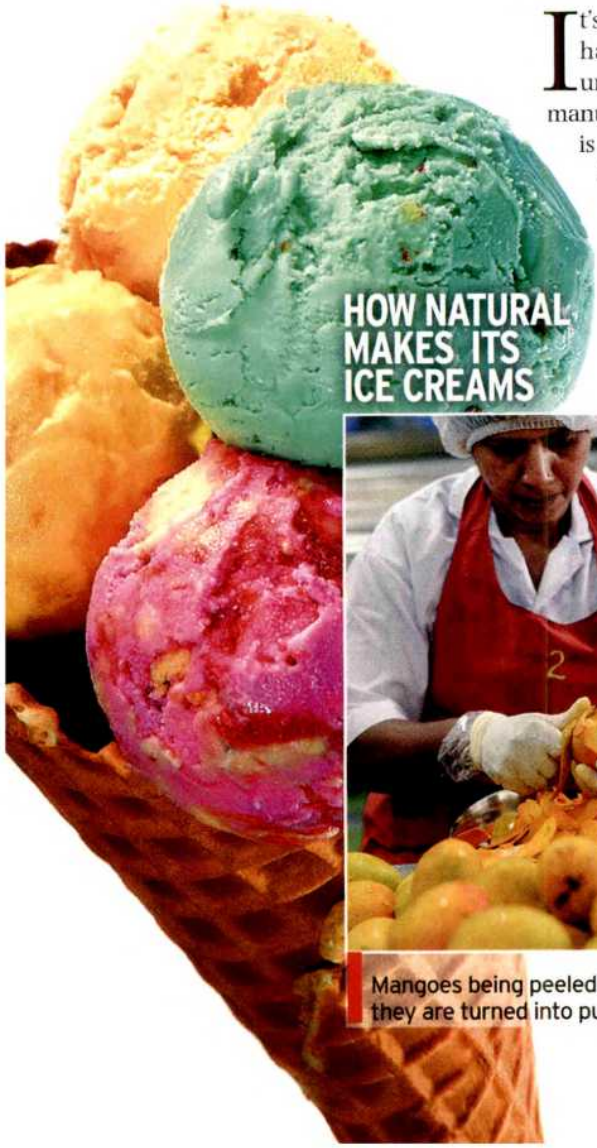
Coolest One

Fresh fruit-based offerings and strict quality control are behind Natural Ice Cream's success, says Anamika Butalia



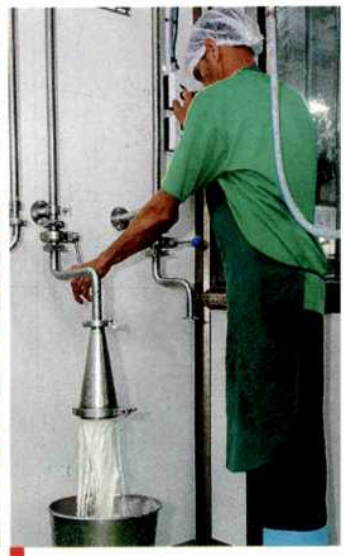
HOW NATURAL MAKES ITS ICE CREAMS

It's natural. It's yummy. Those who have tasted it, swear by it. The unique feature of the ice creams manufactured by Natural Ice Cream is that they contain no artificial flavours, no preservatives or stabilisers, only fresh fruit pulp or dry fruits.

Started as a 300-sq-ft ice cream parlour at Juhu, a northwest Mumbai suburb, in 1984, the brand is a runaway success. It now has 89 franchise outlets across West and South India: 47 in Mumbai, 29 in the neighbouring urban clusters of Navi Mumbai, Thane and Pune, and the rest scattered across select cities of Maharashtra and neighbouring states. Ten more will be opened in the current financial year. Natural's revenues have grown from ₹14 lakh in

Mangoes being peeled before they are turned into pulp

Almonds being crushed before use



Condensed milk gushing into a container

1986 to ₹40 crore in 2010/11.

The franchises may be many, but the manufacturing hub is just one, located in another Mumbai suburb, Kandivali. Every morning, a fleet of trucks rolls out from the factory carrying the ice cream to all the Natural outlets, thus ensuring quality is not compromised.

On a May morning, the air around the factory is thick with the aroma of Maharashtra's most prized summer fruit – the Alphonso mango. Mango pulp is being extracted in the fruit processing unit by rows of uniformed workers. All surfaces are sanitised, but there are no machines in sight. The fruit is peeled manually, de-seeded by hand, chopped and pureed. Similarly, for the dry fruit flavours, freshly bought dry fruits are peeled, crushed and pulped. "Machine-made fruit ice cream needs additional artificial flavours and colouring in the final product," says Chairman, Managing Director and Founder of Natural, R.S. Kamath, 56. "That is something that I fundamentally disagree with."

The store at Juhu has been renovated and expanded repeatedly, and is now more than three times its original size. "It is a landmark in the area," says a beaming Kamath.

It all began after Kamath broke away from his elder brother's ice cream business, Gokul Ice Cream, in 1983. "I took my share of the inheritance and set up Natural," says Kamath. From the start he was at enormous pains to keep to quality – a trait he maintains to this day. Seasonal fruits are bought in bulk daily from the market, with only the best quality ones being chosen. The extracted pulp is heated, to get rid of unwanted bacteria, and then stored in aluminium-sealed packages. Kamath, who from the start involved himself in every aspect of manufacture and distribution, says he has experimented with 60 different kinds of fruit. (In case of non-seasonal fruits, however, Kamath has no choice but to buy pulp and get it machine processed.)

The atmosphere at the factory is taut and business like. "We handle eight hours of high pressure to produce 14 tonnes of ice cream daily so that others can cool off," says Girish Pai, who heads both retail and production. (The factory's capacity is 20 tonnes.) "I credit my team entirely for the brand's ever growing popularity," Pai adds.

Natural is equally careful with the quality of the milk it uses. Buffalo milk brought daily to the factory in tankers undergoes elaborate treatment to maintain the prescribed bacteria count, and is then thickened by reducing the water content. The process, called Falling Film Evaporation, uses a triple cylinder machine to bring the milk's tempera-

MOUTH-WATERING SUCCESS STORY

Natural Ice Cream, which began as a small, single store in Mumbai in 1984, now has 90 franchise outlets

Natural uses only fresh fruit or dry fruit, milk and sugar – no artificial flavours or preservatives

All its ice cream is manufactured at a single factory in Kandivali, Mumbai

To expand further, Natural now intends to start more manufacturing hubs, the first one in Chandigarh later this financial year

A worker churns out the ice cream in bulk

Ice cream boxes being labelled before packaging

Ice cream packets brought out of the spiral freezer

PHOTOGRAPHS BY UMESH GOSWAMI/WWW.INDIATODAYIMAGES.COM

ture to 30°C, before cooling it down to four degrees and then heating it to 90°C in four minutes. Cooled again to 4°C, it turns into condensed milk – the way it is needed for ice cream production.

Condensed milk, fruit puree and ice churn together in a machine freezes the ice cream to minus 4°C within six minutes. The temperature is then lowered to minus 18°C using a spiral freezer. Finally the ice cream is packed in boxes and loaded into crates along with plenty of dry ice to keep it from melting, before being carried away in temperature-controlled trucks for the day's consumption.

The means Natural uses to enforce quality control, however, impose their own limits on the brand's expansion. All the temperature control in the world cannot preserve the taste – and more importantly the freshness – of ice cream beyond a specified number of hours, during which Natural's trucks can cover only a finite distance. This explains why Natural's outlets are largely in Western India, and it has no outlet yet in the national capital, despite the obvious business opportunity Delhi presents. "The National Capital Region has remained an elusive destination," admits Pai.

But the scenario may soon change. Though Natural officials are reluctant to share details of their financial relationship with the franchises, they do reveal that plans are afoot for a major change in operational strategy. The man responsible is Kamath's son, Srinivas, who was inducted into the business in 2009. Srinivas, 27, believes that since it is dealing in perishable products such as ice cream, Natural has to set up manufacturing units in other locations, if it wants to keep expanding.

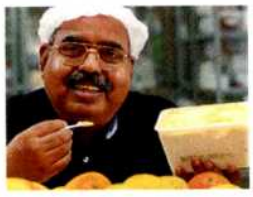
Children enjoy Natural at its Juhu parlour, started in 1984, in Mumbai

Srinivas wants to set up 'mega shops' in faraway cities and towns, which will both manufacture Natural ice cream and sell it. "Raw material will be supplied from here, as well as trained workers who will make the ice cream at the mega shops," says Srinivas. "Frozen, non-perishable fruit pulp and processed milk can be stored for a maximum of four days without harm. That is enough time to transport them to wherever the mega shops are opened."

Again, in a change of strategy, Natural intends to open only one shop in these faraway areas. "Instead of investing in multiple franchises, Natural will have just one mega shop per town," Srinivas adds.

Natural will also impose its conditions: the outlet must have at least 2,000 square feet floor space and must be located in a central area. The first such outlet is set to open later this year in Chandigarh; depending on its success, more such shops will follow.

Natural is in no hurry to get to Delhi, but it has big plans when it does. "Delhi is a very big market. To meet its demand, we'll have to double our existing capacity," says Pai. Natural's ambitions go even further. "Our founder wants Delhi to be the launchpad for Natural's global ventures, especially in West Asia," he adds. ◆



"Machine-made fruit ice cream needs additional artificial flavours and colouring in the final product. That is something that I disagree with"

R.S. Kamath, Chairman and Founder, Natural Ice Cream

Towards an Orwellian Society

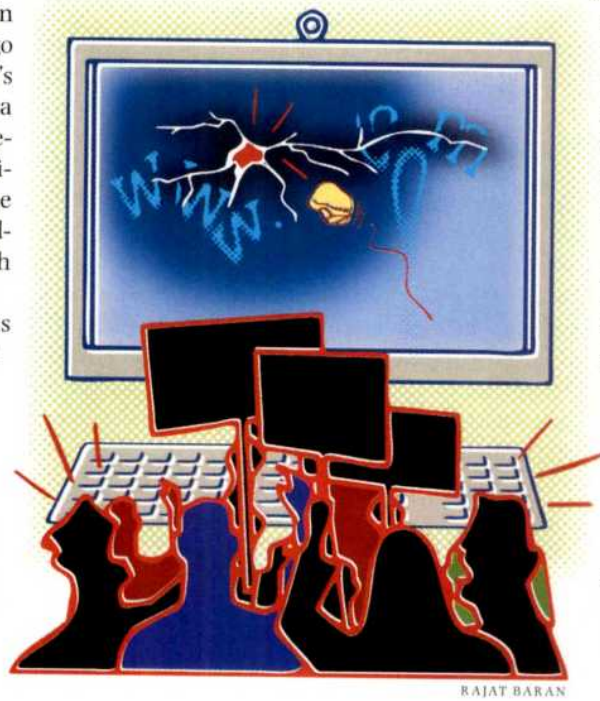
Forget email, the government wants to control your activity on the Internet

One of the rallying cries of those who bat for India over China, is "...but India is a democracy". In the last issue, I wrote about the ludicrousness of the government's entire argument in support of snooping on corporate emails. One apologist for the government explained to me that the rationale behind the decision was to spot if someone "goes rogue". I think that is bizarre, since there is no guarantee that "someone" in the government will not go rogue. And if Julian Assange's latest allegations made on a news channel are to be believed, several Indian politicians have already gone rogue by ferreting out billions of dollars of their ill-gotten wealth to Switzerland.

But still more bizarre is the government's intention to control Internet access. This is clear from the Internet Control Rules. They were posted by Nikhil Pahwa on medianama.com and are available at http://bit.ly/indiainternet.

The really interesting bits are in sub-rule (2): "Users shall not host, display, upload, modify, publish, transmit, update or share any information that is grossly harmful, harassing, blasphemous, defamatory, obscene, pornographic, paedophilic, libellous, invasive of another's privacy, hateful, or racially, ethnically objectionable, disparaging, relating to or encouraging money laundering or gambling, or otherwise unlawful in any manner whatever."

Pahwa asks an interesting question here: does India even have a 'blasphemy' law? Forget that, will this mean that Internet users will not be able to post Santa-Banta jokes since they are racially and ethnically objectionable? What if Khushwant Singh does so? Even a rule such as this could possibly be okay if there was a clear path of seeking legal recourse to sort these things out. But there is not.



RAJAT BARAN

And this is not all. To get an idea of the sheer absurdity of it all, just read on.

"The intermediary, on whose computer system the information is stored or hosted or published, upon obtaining knowledge by itself or been brought to actual knowledge by an affected person in writing or through email signed with electronic signature about any such information as mentioned in sub-rule (2) above, shall act within thirty six hours and where applicable, work with user or owner of such information to disable such information that is in contravention of sub-rule (2)."

So, if I am impacted by a disparaging statement, then I can take the material off the Internet even if it is true? If someone wrote 'Kushan is a fat, sweaty slob', I could find it offensive and disparaging. But the one who wrote that is entitled to say that, because I do not believe that statement is libellous. Calling me other things might be libelous and defamatory and I have a right to legal recourse. But not this.

What if I found the statement "hurtful", wrote to the concerned authorities and had the website shut down? And who determines if a complaint is genuine and not by some crazy fanatic who is objecting to something that he thinks is objectionable? If Narendra Modi were to say that all the Left-wing articles against him were "hateful" and had them taken down, wouldn't we all be crying censorship?

I do not know what has happened for India to suddenly move towards becoming a scary Orwellian society. Over the years I have heard people praise our democracy, and lately even politicians have defended it to counter Anna Hazare and his cohorts.

I believe in democracy and the rule of law as well, but India's proposed Internet Control Rules are patently undemocratic and absurd. ◆

Renault Returns

Its once-prized Logan is now the Mahindra Verito, but the Renault brand will return in May with the Fluence, says Kushan Mitra

The Renault Logan was launched in India with much fanfare by Nissan-Renault Chief Executive Carlos Ghosn in 2007. Last year, the company fell out with its Indian joint venture partner Mahindra forfeiting the Logan as well.

But Carlos Ghosn, Nissan-Renault's flamboyant Chief Executive, had tasted success in the Indian market and had no intention of leaving for good. Last year, Nissan started volume sales in India with the Micra while Renault will launch an executive sedan later in May, the Fluence, with a whole new sales and service network.

Meanwhile, Mahindra, which had retained the Logan, announced last week that it was re-branding the car as the Mahindra Verito. Logan's popularity as a budget sedan took a hit after the split and its sales have been weak in the face of fierce competition from the Tata Indigo and Maruti Swift Dzire.

"The Logan may not have been the most desirable or appropriate choice as the first Renault car in India," says Renault India Vice President Ashish Sinharoy. "However, that does not take away from its basic value proposition". It has seen huge success in many other markets around the world." He adds that the Logan suffered from perception problems primarily due to its plain looks.

Sinharoy says the company has learned from the Logan experience and the Fluence launch should hold it in good stead. The Fluence is a premium sedan that, according to Sinharoy, "straddles the D (Honda Civic, Toyota Corolla) and E (Honda Accord, Toyota Camry) segments". The company also plans to launch the Koleos, a crossover sports-utility

Honda Cars India may have cut production by 50 per cent to cope with a shortfall of parts from Japan, but so far it does not expect any adverse impact on the launch of its new small car, the Honda Brio. A spokesperson told BT, "The launch of the Honda Brio is still several months away. We are closely reviewing the Brio parts supply situation and will take a decision appropriately."

vehicle, later this year to take on the Hyundai Santa Fe and Toyota Fortuner. "Both the cars will be loaded with a host of premium features that are usually found in much more expensive cars," says Sinharoy.

But these are just appetisers for the main course which Renault India plans to serve in 2012 when it enters the mass-market small car segment, with a product based on the new V platform it shares with Nissan. In addition, the company will launch two other products in 2012 and aims to sell 100,000 cars in India by 2013 with over 70 dealerships.

Ambitious plans, but will customers continue to associate Renault with the staid Logan or look beyond to the fresh new products? That remains to be seen. ◆

Hard Drive Boot Failure

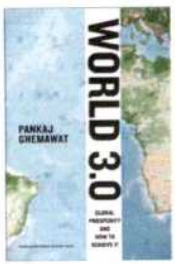
Cars in India cost close to 50 per cent more in taxes once excise duty, sales tax, octroi, road tax and cess are added up. This is why a Corolla Altis of similar specification costs ₹12 lakh in India against $15,500 (₹6.82 lakh) in the United States. However, small cars have a preferential rate of excise at 10 per cent compared to the 22 per cent charged from buyers of larger cars.

This certainly impacts the entry-level sedan segment. Take the Maruti Swift Dzire for example, the VXi specification of the car costs ₹5.47 lakh ex-showroom in New Delhi. A Maruti Swift, which is of similar specifications minus the trunk, costs ₹4.63 lakh. The additional rate of excise adds ₹30,000 to 50,000 to the price of a sedan, says Rajesh Jejurikar, Chief Executive, Automotive Division, Mahindra and Mahindra.

So how are carmakers beating the rule? By chopping the trunk on sedans. This trend was started by Tata Motors with the Indigo CS (compact sedan), and soon Maruti and Mahindra will come up with truncated versions of the Dzire and the Verito, respectively. So that carowners who like to show-off their station in life with a car can do so for a lot less, provided they are willing to do without a boot. ◆

Flat World? Far From It

The author insists the world is not as globalised as we believe, says Srivatsa Krishna



World 3.0 Global Prosperity and How to Achieve It
By Pankaj Ghemawat
Publisher: Harvard Business Review Press
Pages: 386
Price: ₹695

Tom Friedman said "The World is Flat" but Pankaj Ghemawat attempts to prove him wrong. He argues that a significant percentage of IT companies deliver their work on-site at client locations because linguistic distance matters more than geographic distance! This is despite the fact that India's trade is sensitive to natural resources, geographic distances and historical connections. For that matter, did you know that even today just two per cent of all telephone calls made are international? Or that only 15 to 20 per cent of venture capital money is deployed outside the investing funds' home country? Consider this even more startling fact – 90 per cent of all fixed investment in the world is still domestic.

Did you know that Apple's iPod, though made in China, has contributions of 400-plus components from other countries of east Asia. Yet these add up to only one per cent of the retail price of $299 and most of the $163 value added goes to American companies, with about half going to Apple itself! Using such examples, Ghemawat argues that the world is not as globalised as we believe and goes on to explain market failures. He demonstrates how increased globalisation can overcome some of these failures as well as produce benefits to counter global problems such as environmental degradation, macroeconomic volatility, and trade and capital imbalances. He thus demolishes the viscera of his critics' arguments against globalisation by showing potential benefits in these very areas. His world view – *World 3.0* – builds on his CAGE framework (cultural, administrative, geographic and economic distances) articulated in his earlier book, *Redefining Global Strategy*. Using data charmingly, Ghemawat argues that in 2000, the US was a larger trading partner than China for roughly 90 per cent of the countries on the planet but in just 10 years thereafter, the figure is down to half. By 2030, China's trade will exceed that of the US with about 80 per cent of the countries – all suggesting how rapidly China has come to dominate world trade.

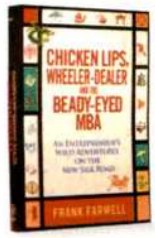
In an interesting yet highly controversial argument on cultural superiority, Ghemawat tries to map the countries' perceived need for cultural protection versus their perceived cultural superiority. India tops in both! Wherein lies a paradox and begs the question: if indeed Indians think that their culture is superior to others, why would they think it needs need protection too? Is it not strong enough to survive the tests of time on its own strength?

In sum, *World 3.0* is a unique look at globalisation, government failure and market failure through the lens of distance, culture, regulation, trade flows, capital movements and the perspective of large countries such as India, China and the US. The fervent cry of the book is for leaders to dispel myths about globalisation and instead understand its true benefits and potential, which taken together can lead to enhanced global prosperity, not just for a handful but for most on this planet. This is an unusual and compelling reader on globalisation – the data, the analogies, the arguments are all extremely powerful and persuasive. It is no wonder that many regard Ghemawat as the true inheritor of Michael Porter's mantle of being the global strategy guru. Ghemawat is also the youngest person ever to hit the tenure track, at Harvard Business School. ◆

The reviewer is an IAS officer. Views are personal

By 2030, China's trade will exceed that of the US with about 80 per cent of countries – suggesting China's domination in world trade

BOOKMARKS



Chicken Lips, Wheeler-Dealer and the Beady-Eyed MBA
By Frank Farwell
John Wiley & Sons
Pages: 294
Price: ₹1,348

Based on the author's own experience, this is a must-read for budding entrepreneurs on the perils and pitfalls most of them will face.

BUST: Greece, the Euro, and the Sovereign Debt Crisis
By Matthew Lynn
Bloomberg Press
Pages: 282
Price: ₹1,258

A thrilling account of a European nation's economic rise and subsequent fall, which nearly brought down the global financial system.

Mid-Career Blues

What to do if you are stuck in an industry with little room for advancement

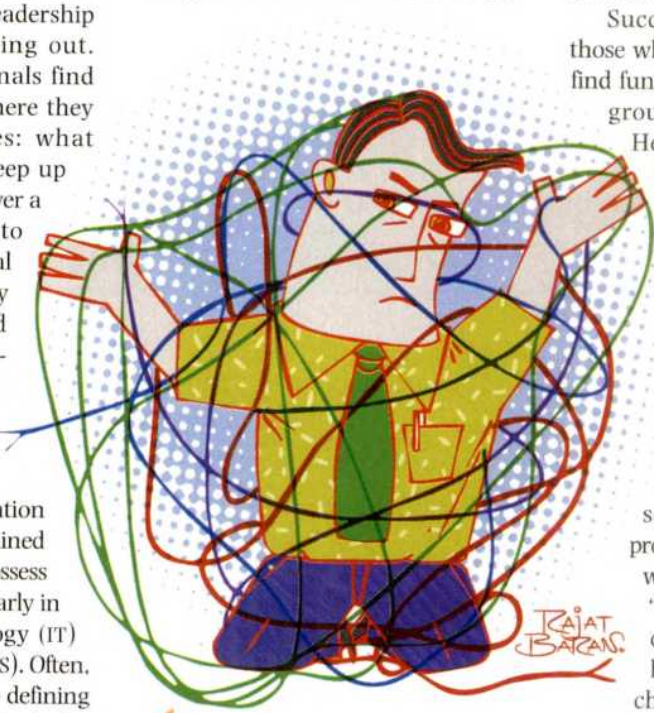
Who Moved my Cheese? I kept thinking of the book by Dr Spencer Johnson. It may have been dubbed simplistic but many of its messages remain relevant. Professional life is full of like-it-or-lump-it situations and impasses that force many of us to find new paradigms and paths.

This thought came to me strongly as the Infosys leadership change saga was panning out. At some stage professionals find themselves at a point where they have to ask themselves: what next? Such situations creep up just as they clock a little over a decade in their careers to become category or vertical heads. Suddenly, they see a vast plateau around – peopled with professionals, like themselves who are good at their jobs, but are stuck and have nowhere to go.

This is a peculiar situation for specialists who have trained in a specific industry and possess technical skillsets, particularly in the information technology (IT) and IT enabled services (ITeS). Often, the skills they have end up defining and limiting their roles. The industry segment becomes a cross to bear as it goes through a growth phase.

Heroic moves such as jumping industry segments are possible but scary, being rife with uncertainty. Diving into entrepreneurship with a business plan that has you betting your shirt is another tough route to take. Entrepreneurial success stories make good copy, but they are not an option for those who have to deal with loan repayments. "Today many people are being forced into entrepreneurship – especially in the IT sector – as they have little room to manoeuvre," says Rishi Das, co-founder and CEO of search firm CareerNet.

Most big firms in the IT and ITeS space have good senior-level candidates, but they often cannot move up as the top team is already in place. They cannot even move out as the same is true of even rival organisations. "Even medium-sized firms are blocked for growth. And that leaves only the start-ups," says Das.



THE ROAD AHEAD

- Take on challenges that will give you more domain expertise
- Take on punishment postings as necessary challenges
- Have patience to wait it out
- Upgrade skills in an area of interest
- Join start-ups

So what do you do when you have reached the level of category head and feel stuck in your game? Career counsellors say a careful thinking through of options is in order.

Successful entrepreneurs are those who have saleable ideas that find funding, but they also have a group that makes it happen. Hence, being networked is important. One has to assiduously expand one's network. But it has to involve people outside the ambit of colleagues who pretty much share the same inertia.

It also helps to chart out a course that focuses on your area of interest. Why not think of the social sector that also requires project management skills? Or why not clean technologies? "Many get into these and often take a second shot hoping to better their chance," says Das.

Taking on teaching assignments is another good option. Even a sabbatical helps if you can negotiate it with your HR department. But the game changer is often to think out of the box. For instance, changing location. Bihar? Or Africa? Both offer opportunities today. Take your pick. Professionals who go to such locations get bigger hikes as well as enjoy the excitement of dealing with a new terrain and a new set of challenges. Shift, or wait it out. The truth is there are no easy answers. ◆

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E-mail: ramappa@feduni.org

Get Paid for Doing Good

Helping the disadvantaged has never been so lucrative, says Shamni Pande

Most leading Indian companies today are involved in philanthropy and Corporate Social Responsibility, or CSR, related programmes. They need trained professionals to run them, whom they are ready to pay corporate-level salaries.

CSR programmes, covering the entire gamut of developmental activities, have expanded enormously in recent years. Corporate groups like the Tatas, Aditya Birla Group, Reliance Industries, Bharti Group, HCL, Infosys technologies and Wipro are all engaged in CSR, among others. An ASSOCHAM survey conducted last year showed that fast moving consumer goods and consumer durables companies had taken the maximum number of initiatives, followed by the chemical and information technology sectors. "Many smaller firms are also getting aggressive on this front," says Shailja Dutt, Managing Director, Stellar Search.

"There is a clear demand for professionals who understand the dynamics of government functioning, flagship programmes, economy models and social status," says Sunil Goel, Managing Director of headhunting firm GlobalHunt. Understanding government functioning is particularly important. "Companies need to work with the government in many key areas involving health and education. Even if they want to, they cannot just go to a slum and start some initiative," says Dutt.

Future Perfect: Students at a Bharti Foundation school at Neemrana in Rajasthan

VIVAN MEHRA

Wanted: Bleeding Hearts

Who is Hiring: Cairn India, Essar Group, Tata Power, Philips and healthcare companies

Experience: Corporate communications background, experience in handling social development projects and liaisoning with government

Salary:

Junior Level: ₹5 lakh (per annum)

Mid-Level: Up to ₹15 lakh (per annum)

Senior-level: ₹40-60 lakh. Can go up to ₹1 crore for CEOs

Broadly, companies look for two categories of professionals. First: those who have experience of the social sector and will be part of execution teams. Second: those from corporate backgrounds who are adept at identifying the right areas for the companies to work in, who can carry out due diligence on project proposals before taking them up, and who will strategise fund allocation.

"The social sector offers designations like Manager, General Manager, Director-CSR, just as the corporate sector does," says Goel.

Professionals who are capable of strategic planning, have corporate experience, business acumen, scale-up expertise and come with specialisations are particularly prized. Even people from consulting backgrounds are joining the bandwagon. ◆

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Lanco Group
DGM/AGM (Stores)
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Job ID: 9355519
Description: Implementing different Stc Inventory processes, execution of mater respective depts. for smooth functioning.

ABB Limited
Sourcing Engineer
Location: Chennai
Job ID: 9473820
Description: Candidate has to take care of International sourcing. Should be conversant with SCM process and should be able to effectively interact, coordinate and negotiate with suppliers.

Firstsource Solutions Limited
Manager Operations-Domestic Broking
Location: Mumbai
Job ID: 9367684
Description: Maintaining staffing scheduling of department personne provide quick response to customer calls.

UnitedHealth Group
Vice President - Business Development
Location: Mumbai
Job ID: 9665761
Description: MBA in Marketing or equivalent Masters Degree; Experience managing, developing and launching new products, Sales, Client Management and Marketing.

Suzlon Energy Ltd
Sr. Manager, Design Quality
Location: Baroda
Job ID: 9352061
Description: To deploy Quality Manage Systems in Design and Developmen implement & sustain QFD, active particip in (DFMEA, ECP & ECN Process).A Participation in design check gate stages.

Logica Private Limited
Service Provision Managers
Location: Chennai
Job ID: 9426080
Description: He must have experience in Service Provision Role; having managed deliveries independently (end-to-end) without hand holding and supervision. Extensive transition experience.

Juniper Networks Inc.
Staff Engineer
Location: Bangalore
Job ID: 9625071
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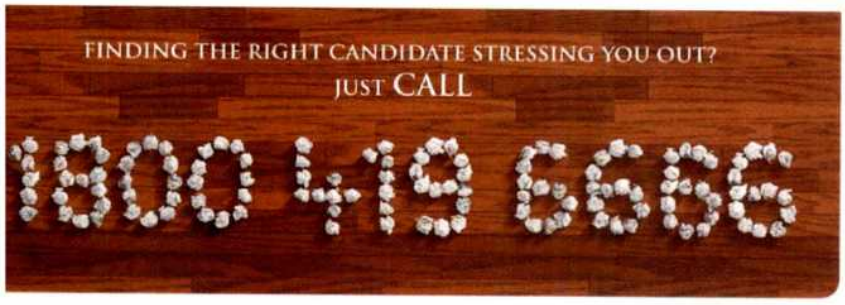

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Job ID: 9626585
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Gati Ltd
Sales Executive
Location: Bangalore, Mysore
Job ID: 9418641
Description: Candidate will be responsil meet the collection on monthly basis. Me business need of the company.

SKF India Limited
Mechatronics Project Sales Engineer
Location: Bangalore, Pune
Job ID: 9519650
Description: Implement ID Sales strategy for profitable growth of Mechatronics business within his/her assigned work area.

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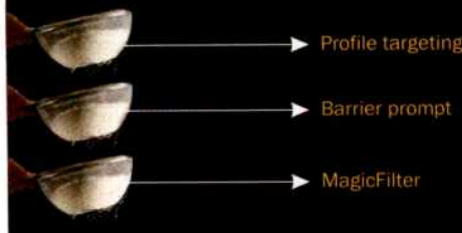

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Abhay Sahoo
CPI Leader

Steely Resolve

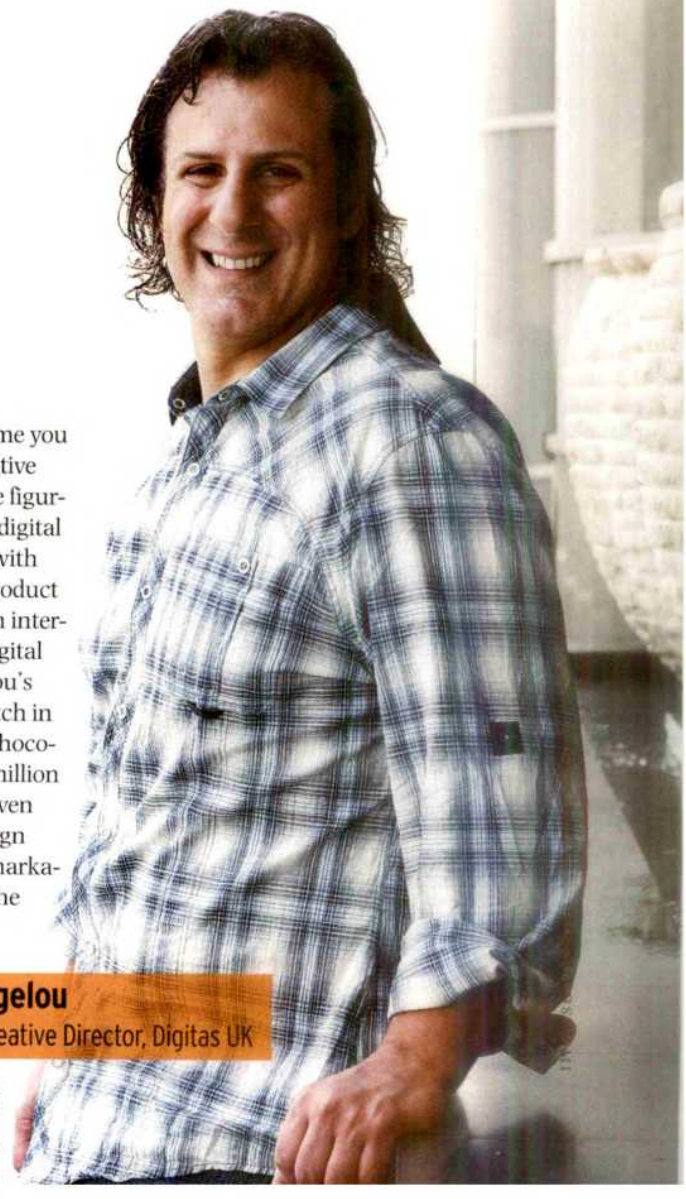
ABHAY SAHOO, the *paan*-chewing Communist Party of India leader from Orissa, has pretty much single-handedly drummed up the local opposition to the proposed $12 billion steel plant by South Korean company POSCO in Jagatsinghpur district. His latest salvo – even as the Environment Minister Jairam Ramesh okayed the project – has been to invoke the Forest Rights Act against the project and accuse the state government of having got permission by lying in a letter to Ramesh. Though Sahoo's alternative 'vision' of a betel leaf and nut processing hub at the site instead of the POSCO plant seems fanciful, his success is what drives anti-industrialisation protests.

KUSHAN MITRA

Of Chocolates and Football

If you think chocolates have little to do with football, it is time you met **SAV EVANGELOU** to tell you how the two mix. As Executive Creative Director, Digitas UK, Evangelou spends a lot of time figuring out how brands should interact with consumers in the digital age. He believes most brands make misplaced investments with "a kind of desperate urge to fight for attention through a product message". Why not a more subtle engagement – starting an interaction, for instance – before a product is introduced? The digital medium certainly allows for such links to be built. Evangelou's agency tried this approach when it organised a football match in West Asia where both teams comprised consumers of the chocolate brand Snickers. The result? An online audience of 10 million people and a 36 per cent increase in sales. Indeed 18,000 even applied online to take part in the match! The online campaign and the match then led to a television documentary – a remarkable flip with the online media campaign being followed by the TV, rather than the other way around.
Now that is some digital buzz.

SHALINI S. DAGAR



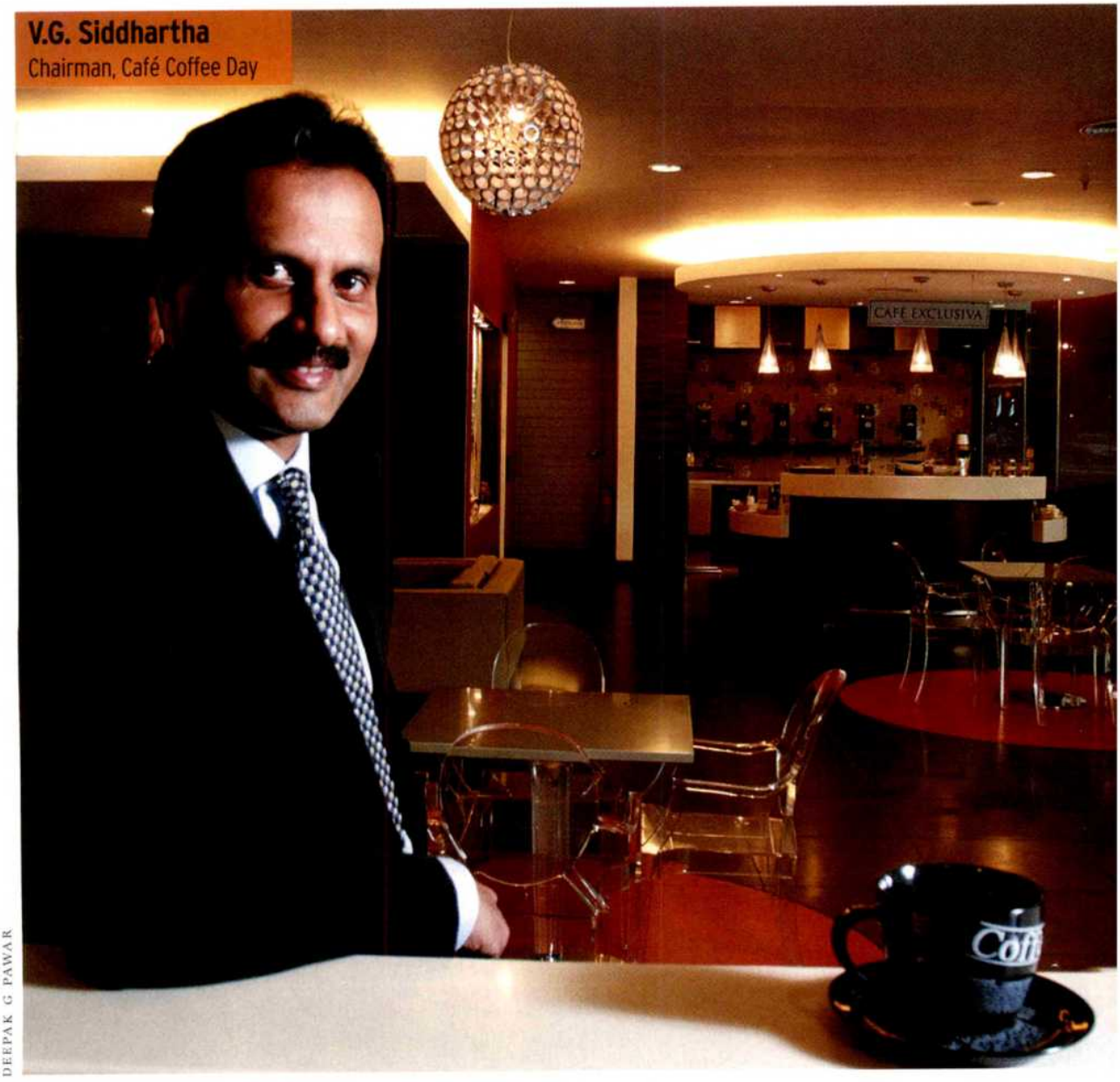
Sav Evangelou
Executive Creative Director, Digitas UK

SANJAY SHARMA

Midas Touch

Long before coffee, **V.G. SIDDHARTHA**, the reticent Chairman of Café Coffee Day, learnt investing from Mahendra Kampani, one of the founders of what today is JM Financial. The result of that experience, Way2Wealth, is today a chain of 500-plus outlets all over India. The 50-year-old Chikmagalur-born entrepreneur, with wide-ranging business interests in commercial real estate, infrastructure and hospitality, has now teamed up with Karnataka Bank to offer online trading services to the bank's clients from his Way2Wealth platform. The coffee guru can hope to hit big here even if a fraction of the bank's 4.84 million customers buy into the new service and turn stock market investors. "Kampani used to always say that the stock market is like a river of molten gold. Once in a while you should take some, cool it and set aside as your wealth," Siddhartha told *BT* in April 2010. Sound advice for Way2Wealth customers.

K.R. BALASUBRAMANYAM



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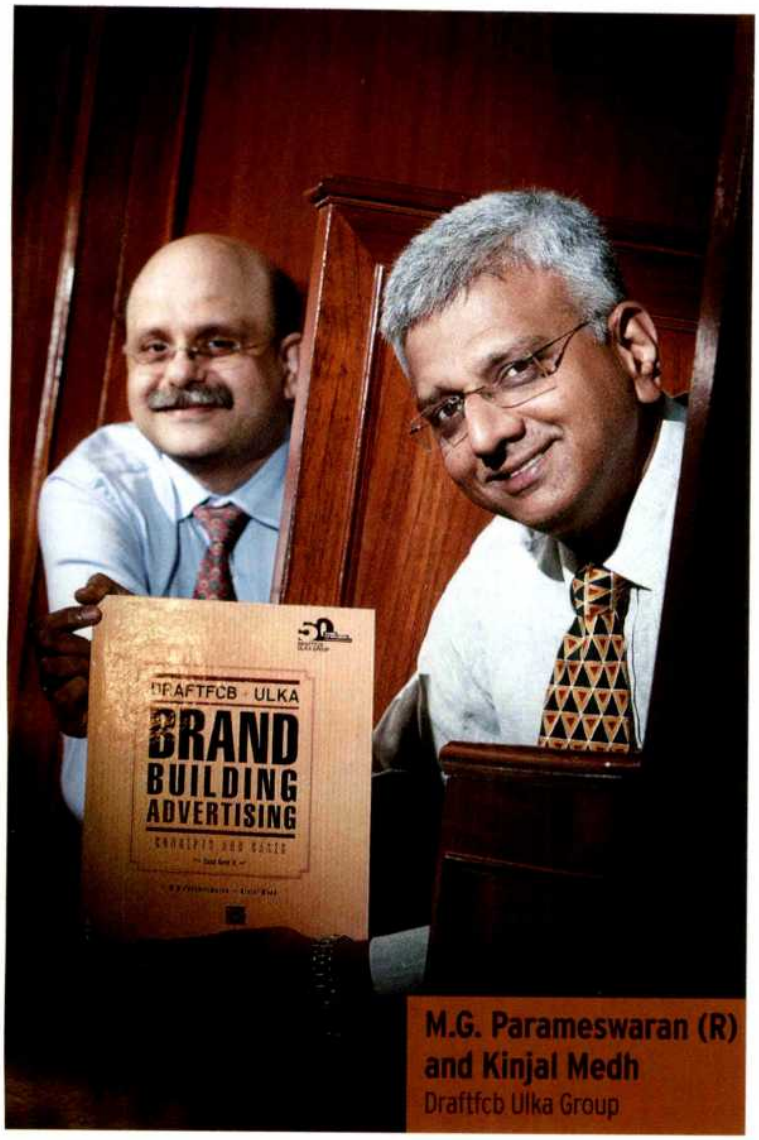


RACHIT GOSWAMI

M.G. Parameswaran (R) and Kinjal Medh
Draftfcb Ulka Group

Literary Encore

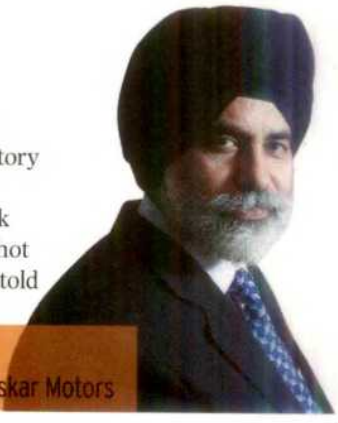
Eight print runs and a soft cover edition of their first case book, *Brand Building Advertising*, has paved the way for a second compilation of case studies. This one focuses on branding strategies and concepts. The authors are **M.G. PARAMESWARAN**, 56, Executive Director and Chief Executive, Draftfcb Ulka, and **KINJAL MEDH**, 51, Chief Operating Officer, Cogito Consulting, ad agency Draftfcb Ulka's consulting arm. The second book is not just a new revised edition, the authors point out. It includes 13 brands that Draftfcb Ulka has worked with and the strategies that they feel did exceptionally well. "We avoided case studies that focused on why a strategy didn't work because client sensitivity is paramount to Ulka," says Parameswaran. "The idea of the book," says Medh, "is to provide answers to questions that readers interested in branding might have. Why the advertisers did what they did and how the brand benefited."

ANAMIKA BUTALIA

Tsunami Victim

The recent tsunami-cum-earthquake in Japan has struck Toyota Kirloskar Motors hard. The company was first forced to cancel a celebratory function for its new factory and now has had to cut back production by 70 per cent. **SANDEEP SINGH**, Deputy Managing Director, Toyota Kirloskar Motors, who has taken his phone off the hook after being inundated with queries seeking reassurance that deliveries of Toyota's hot new sedan, the Etios, among others, will be prompt, is hardly a happy man. Singh told *BT* that the company was "communicating in a transparent manner with our customers and giving them a clear idea of the waiting period". ◆

KUSHAN MITRA



Sandeep Singh
Deputy MD, Toyota Kirloskar Motors

C.S. VERMA
Chairman, SAIL

My leadership style
- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Mahatma Gandhi

The business leader I admire the most
E. Sreedharan

The leadership lesson I remember the best
Resources are limited but creativity is unlimited

A book I would recommend on leadership
Bhagavad Gita

The difference between a manager and a leader
Manager is to leader what efficiency is to effectiveness

All good managers are good leaders
No

As told to Vivan Mehra

VIVAN MEHRA/www.indiatodayimages.com

Vol. 20, No. 11, for the fortnight May 16-29, 2011. Released on May 16, 2011.

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From the Editor

"Chamko ... kapdon ke liye behtereen sabun. Bar-bar, lagatar. Chamko. Kapdon mein chakachaundh chamak lane ke liye. Khushbudar, jhaagwala – Chamko."

Romance blooms when charming salesgirl Deepti Naval turns up at the bachelor digs of the shy and gawky Farooque Shaikh to peddle a new brand of detergent in 'Chashme Buddoor'. Life has changed so much since Sai Paranjpe made this movie 30 years ago – you don't get to see any empty streets in Delhi, nobody has the time to entertain salespeople who want to whip up a lather in a bucket of water, and you are bombarded by text messages and TV commercials for thousands of products as you rush about.

A video on the Unilever website says people worldwide will have purchased 330,000 of the company's products in the five minutes it takes to watch the promo. I don't know if anybody has calculated how many bars of soap are sold every second in India, but the arena is very competitive – a 2010 estimate put the size of India's FMCG market at ₹1.3 trillion (nearly $30 billion). I counted 25 soap manufacturers, and 30 makers of 'synthetic detergents and scourers', and there must be hundreds of smaller firms snapping at the heels of the big boys of FMCG. So the days when our homes were dominated by Dalda, and Lifebuoy, and Sunlight are long gone. If you walk into a *kirana* store or a supermarket you are spoilt for choice. Interestingly, Hindustan Unilever's Chairman Harish Manwani says HUL's brands are doing better in supermarkets than in mom-and-pop stores. But the battle to get those brands into every home across this vast nation is fierce, and research and technology combined with the old Unilever tradition of venturing deep into the countryside make for a fascinating tale that starts on page 68.

People in the countryside matter much more than as consumers. When the results of five state elections were declared on May 13, voters dealt sledgehammer blows to hubris, arrogance and corruption. But oh to be a voter in Tamil Nadu! Already smothered by goodies from Karunanidhi's DMK, the lucky Dravidas are now bracing for a tidal wave of freebies from Jayalalithaa's AIADMK. Women now rule three big states in India's north, east and south (not counting the capital) and all three have ridden unabashed populism to power. Our election analysis starting on page 50 focuses on business and economics. You may think things look dire, but hope springs in the breasts of Bengali businessmen and across page 58.

Not so optimistic is the situation on land acquisition by the government for major projects. Over the decades legacies, disputes and divisions have steadily nibbled away at landholdings. Our land is overcrowded, and precious. Lives have been lost in protests over land acquisition. Harsh Mander, who heads a working group of the UPA's National Advisory Council on land acquisition, has written a discussion paper that will be debated by the full council as we hit the newsstands. The discussion note (for the full text go to www.businesstoday.in/mander) recommends repealing the Land Acquisition Act of 1894 and its replacement by the omnibus National Development, Acquisition, Displacement and Rehabilitation Act. For a better understanding of the legal implications of the principle of Eminent Domain, read senior lawyer Rajeev Dhavan's analysis on page 40.

Chaitanya Kalbag

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Chairman, India Infoline

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Africa Calling

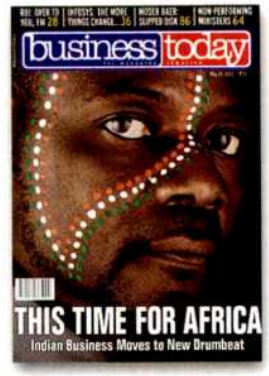
Your cover story, *This Time for Africa* (May 29), truly captures a continent brimming with opportunities. Who would have thought a decade ago that a land rocked by one civil war after another and poverty would slowly capture the imagination of the global business community with China – yes China and not the United States – leading the way. India may have woken up a little late when it comes to realising the true potential of Africa but as the saying goes, it is better late than never. It is heartening to notice that the likes of Emami, Godrej, Dabur, Dr Reddy's Laboratories, Ranbaxy and Bajaj have already established their presence in several countries across the continent. Kudos to India for conquering yet another frontier.

P. Saha, *Kolkata*

Rescuing Air India

So, Air India was finally able to resolve the strike by its pilots/employees, which not only caused a lot of inconvenience to the public but also left the already beleaguered airline in a deeper financial mess (refer to *Maharaja in Chains*, May 29). It is a fit case for the Board for Industrial and Financial Reconstruction. Why not let a private sector giant take charge of it? Or, how about hiring a group of private sector professionals with good management skills to run it efficiently and profitably?

M. Kapasi, *New Delhi*



Who would have thought a decade ago that a continent rocked by civil wars and poverty would slowly capture the imagination of the global business community, including India

Inflation Blame Game

Upon reading *Inflation: Over to You, Sir* (May 29), it becomes quite clear that the price rise is the result of the faulty economic policies of the government. Hoarders and black marketers are also responsible for inflation as well as shortages of commodities. Shouldn't the government plan on a long-term basis so that there is adequate production and no shortages? And how about storage of essential commodities?

Mahesh Kumar, *New Delhi*

Leading by Example

Indian cricket captain Mahendra Singh Dhoni truly leads from the front (*Leader by Instinct*, May 15). His vision, confidence and the fact that he gives due credit to others can easily earn him a place among the 100 most influential people of the world.

Jacob Sahayam, *Thiruvananthapuram*

CASE STUDY Mahendra Singh Dhoni

Leader by Instinct

The Indian skipper likes to keep it simple, relying on instinct and self-belief to bring home the laurels

www.businesstoday.in@coverstory: *This Time for Africa* (May 29) discovers a continent full of opportunity, peril and the Chinese

www.businesstoday.in@coverstory: *India's Hottest Young Executives* (May 15) is the seventh *Business Today* listing of the country's finest managers under 40

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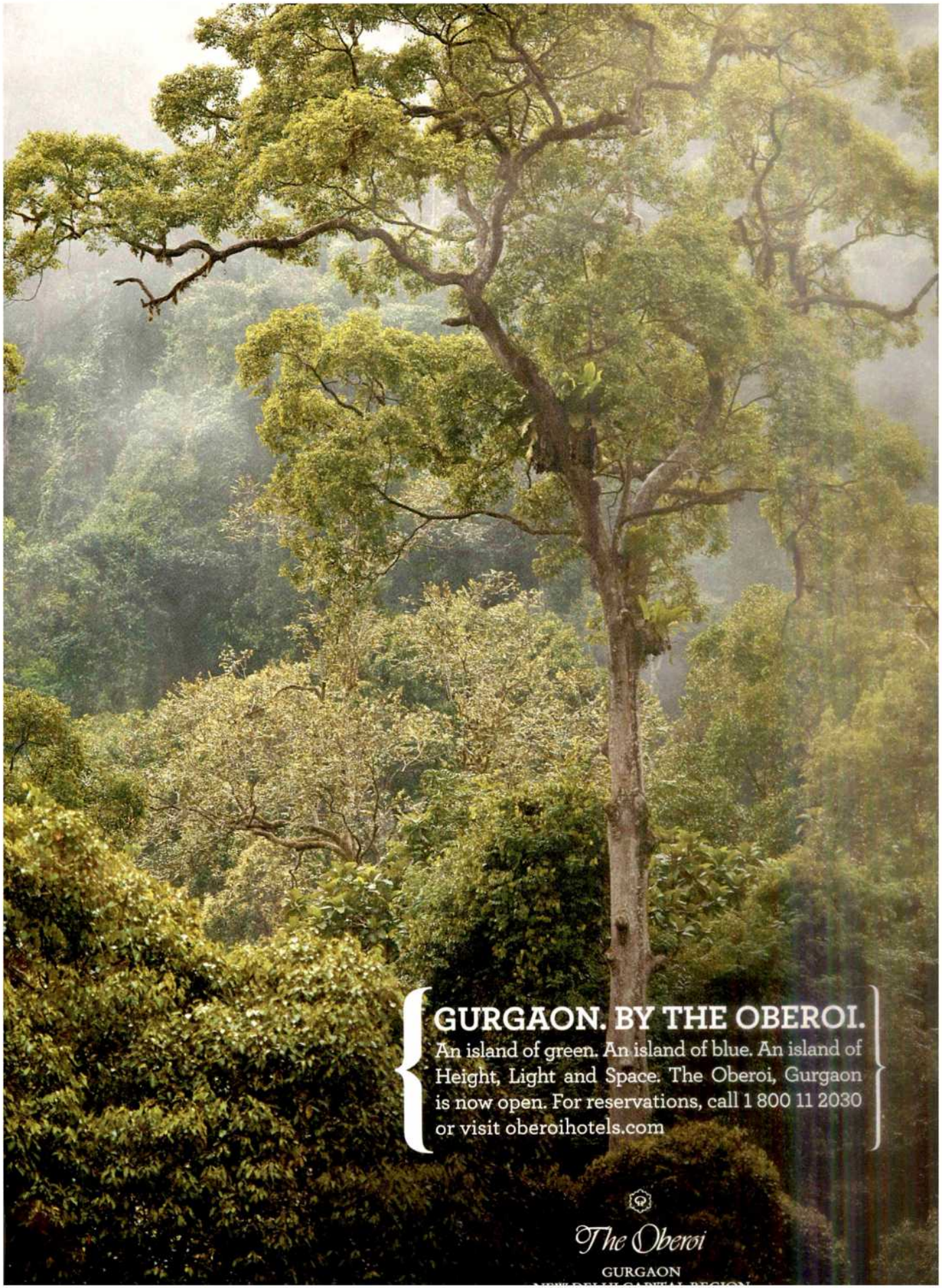
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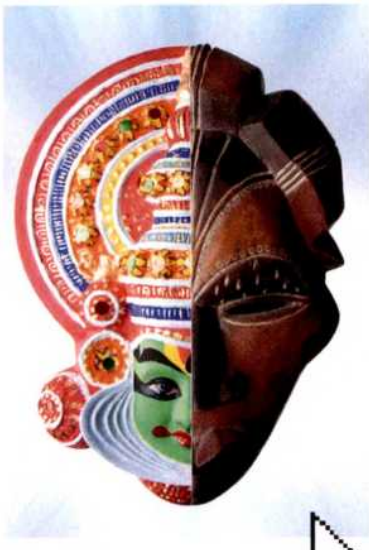

The World's Biggest Opportunity

BT's Kushan Mitra examines how Indian businesses are vying with the Chinese to harness Africa's vast and growing potential.

■ **Africa in pictures:** See photos from five countries across the continent.

■ **A correspondent's tale:** Kushan Mitra's experiences while boating up the Congo River and visiting Gandhi's African haunts.

businesstoday.in/africa

Seeing Is Believing

See a 'Before and After' slideshow of some of the most impressive special effects in Indian cinema. More and more filmmakers are using computers to create spellbinding action and sci-fi sequences.

businesstoday.in/effects

Start-up Advice

Five experts highlight the importance of entrepreneurship, and offer suggestions on how to reduce the hurdles small enterprises face.

businesstoday.in/startup

Blogs

N. Madhavan
Election results show Tamil Nadu's voters cannot be bought.

businesstoday.in/madhavan

Shalini S. Dagar
Axe and Parle are transforming their brands on Facebook and Twitter.

businesstoday.in/shalini

Suman Layak
The Ambani feud makes an appearance in the WB corporate governance manual.

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E. Kumar Sharma
The ongoing debate over the safety of endosulfan, a popular pesticide in India.

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Letter from the Editor »
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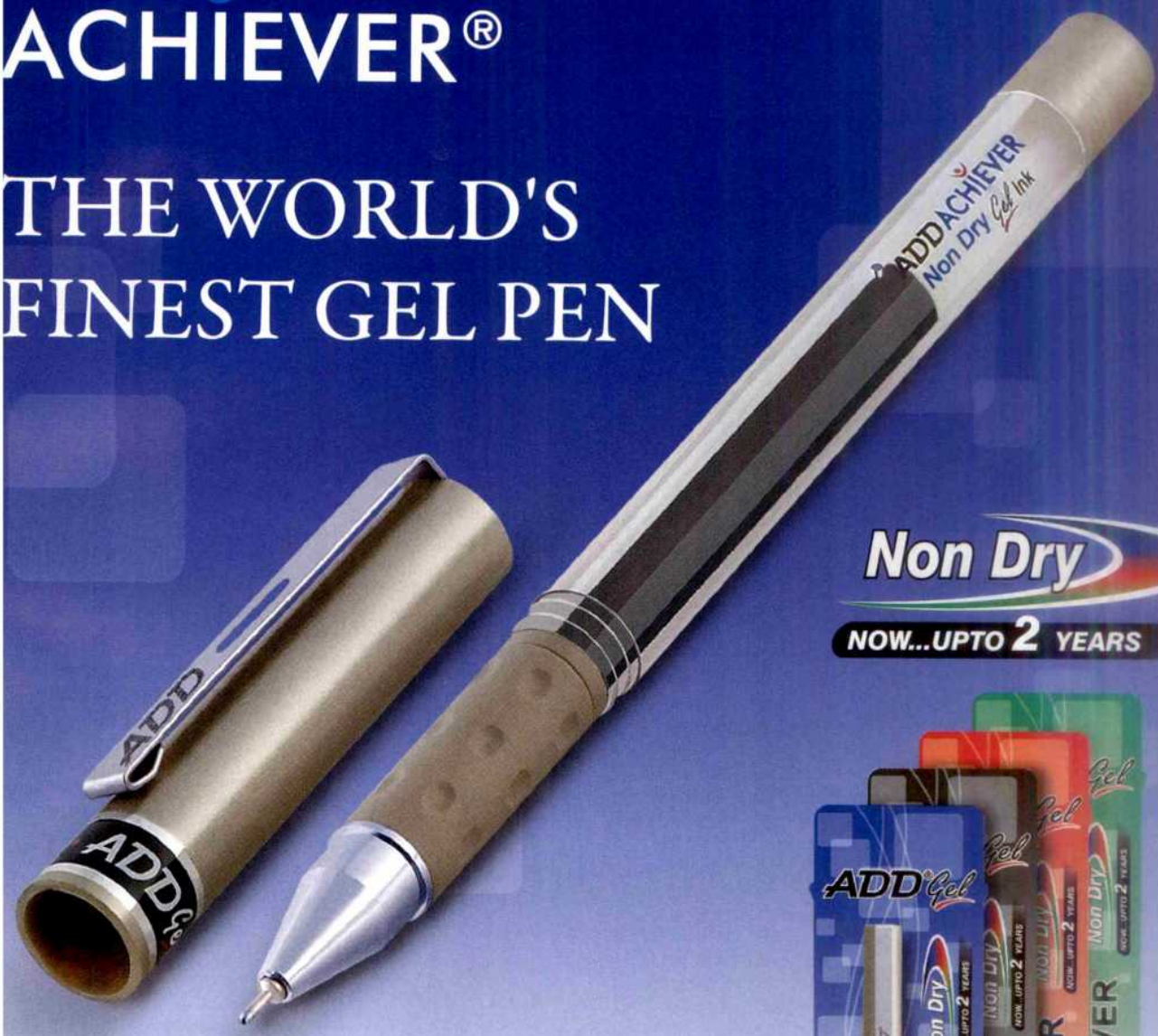

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New Rules of Business

Lucky charm: With Mamata Banerjee in power in West Bengal, the world of business expects big changes on the ground there. So is the case with J. Jayalalithaa, the new Chief Minister of Tamil Nadu. See page 50

Corporate

State Bank of India, the country's largest bank, stunned analysts when it announced a 99 per cent plunge in its fourth quarter net profit, which stood at ₹20.88 crore. It attributed the fall to higher provisions for pensions and gratuity, loan loss and some assets such as teaser loan schemes. Separately, RBI has tightened provisioning requirements for banks by up to 10 per cent for bad loans. Sign of other clean-up acts ahead?

Glenmark Pharma has signed a $613-million deal to outlicense a biological drug molecule to global major Sanofi. GBR500, used to treat chronic autoimmune disorders, is the first biological compound developed and licensed by an Indian company. This is the second such deal Glenmark has signed with Sanofi in a year. The last deal was for $320 million. Outlicensing is good business.

The spectrum soap opera continues. DMK MP Kanimozhi and Kalaignar TV MD and CEO Sharad Kumar are the latest to have been arrested in the 2G scam. Kanimozhi, DMK chief M. Karunanidhi's daughter, and Kumar have been named co-conspirators in an illegal money trail of ₹214 crore in the scam. The duo joins corporate honchos Sanjay Chandra, Vinod Goenka in Tihar Jail, besides tainted former telecom minister Andimuthu Raja.

Pramod Bhasin has quit as Genpact President & CEO, passing on the baton to Chief Operating Officer N.V. 'Tiger' Tyagarajan. Bhasin, once called the enfant terrible of the BPO industry, built Genpact from a small back office of General Electric into the biggest outsourcing outfit in India. He will serve as Non-executive Chairman, but be sure his presence will be felt.

Dominique Strauss-Kahn. The name will ring a bell for a long time to come. Facing charges of sexually assaulting a maid at a Manhattan hotel, Kahn, in custody since May 14, quit his job as Managing Director of the International Monetary Fund. The 62-year-old Strauss-Kahn, popularly known as DSK, is – or was – a leading contender for the French presidency in 2012. A finance minister in the Socialist government, he is widely considered the architect of France's economic recovery in the late 1990s. Strauss-Kahn's troubles brighten the chances of India's Planning Commission Deputy Chairman Montek Singh Ahluwalia landing the top IMF job, though he has denied he is in the running.

Insider trading charges in the world's biggest market are sticking. Raj Rajaratnam, founder of hedge fund Galleon, was found guilty of 14 charges in the largest illegal stock-tipping case in the United States in recent years. Sri Lanka-born Rajaratnam faces up to 20 years in prison and the cloud over those accused of helping him, like Rajat Gupta of McKinsey, has suddenly darkened. Rajaratnam, worth $1.3 billion in 2009, profited from tips on Intel and Goldman Sachs.

In its largest acquisition, Microsoft has agreed to buy Skype Technologies, the most popular web-calling service, for $8.5 billion. Skype has 170 million active users. The takeover is expected to help Microsoft Chief Executive Officer Steve Ballmer attract web users and take on Google's lead in web advertising. Microsoft's online services division had an operating loss of more than $700 million in the three months ended in March.

As if a first quarter profit warning was not enough, Research in Motion, or RIM, has recalled about 1,000 of its PlayBook tablets that it said had been shipped with a flawed operating system. Sure, PlayBook launched to lukewarm reviews but was expected to offer some competition to Apple's iPad.

Shares of LinkedIn, sold at a sale billed the biggest tech IPO after Google's in 2004, nearly doubled to $87 apiece in opening trade. The IPO raised the question whether investors were buying into a social media gem or entering a new Internet bubble.

Economy

Factory output in March rose 7.3 per cent from the previous month's 3.7 per cent, primarily due to recovery in manufacturing and capital goods. Industrial output for 2010/11 ended at 7.8 per cent, down from 10.5 per cent in the previous financial year. Sure, 7.8 per cent is not bad but the dark cloud to the silver-lining is rising interest rates.

RISING IIP

Industrial output in March rose 7.3% against 3.7% in February

	Mar '10	Mar '11
Mining	12.3	0.2
Manufacturing	16.4	7.9
Electricity	8.3	7.2
Basic goods	10.8	4.3
Capital goods	36.0	12.9
Intermediate goods	13.5	5.4
Consumer goods	9.3	7.7
Durables	32.6	12.3
Non-durables	1.5	5.7
General	15.5	7.3

Figures are Y-o-Y in % Source: CSO

Shrinking coal stocks at power stations, meanwhile, have Anil Sardana, Chairman of the CII's National Committee on Power, worried. The business lobby notes that as of end–February, 32 power stations had coal stock to last them less than seven days, while 18 had just enough coal to keep the fires going for less than four days. The normative stockpile is for about 21 days. Sardana says operations at several thermal power plants have been affected at a time when electricity demand is at its peak.

45,000

The number of personnel planned to be hired by nationalised banks in 2011/12. Branch expansion, business growth and aggressive marketing are the key reasons for the spurt in hiring.

28%

Jump in the pay of US CEOs in 2010. This comes after two consecutive years of decline, with bonus payouts expanding the most, according to executive compensation research firm Equilar. Average compensation for S&P CEOs was some $9 million, up from about $7 million in 2009.

0.9%

Contraction of Japan's gross domestic product in the January-March quarter. This is second straight quarter of economic contraction. This means the country is in its second recession in less than three years.

Markets

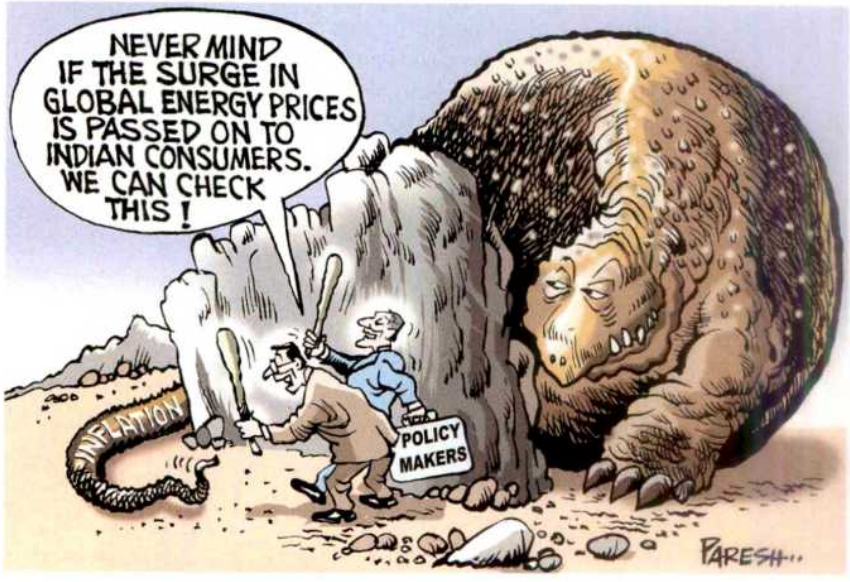
Are taxmen hounding former Chairman of Securities and Exchange Board of India, C.B. Bhave? So thought *The Economic Times*, which reported that he had been asked by the income-tax department for details of his tax returns for the years prior to taking up the SEBI assignment. This is perceived as targeting Bhave as his relationship with some officials of the Finance Ministry is said to be rocky. The Finance Ministry was quick to react. Bhave's tax file, it said, was randomly picked by a computer-aided scrutiny programme with no human involved. And, it was served on him before he retired from SEBI. Well, finally a computer that outranks the taxman.

The follow-on public offer of state-run Steel Authority of India Ltd is likely to hit the markets by mid-June. The delay in the share sale had the Union government missing its disinvestment target in 2010/11, but if successful the offer could raise ₹8,000 crore. About time.

Coming Up

All large mergers & acquisitions will need a go-ahead from the Competition Commission of India, or CCI, from June 1. This is to check monopoly and anti-competition practices. The CCI guidelines, similar to the norms in the United States and Europe, will be triggered if the entities proposed to be merged provide the same or similar set of products or services, and if the combined entity has a market share of over 15 per cent.

Laptop computers using Google's Chrome operating system go on sale in June. The web-centric machines, made by Samsung and Acer, will work off the Internet. Is this the next big thing in cloud computing?



FOCUS

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Pinched, Not Punched

The fall in corporate profitability in the fourth quarter is a temporary squeeze, says

Ajay Srinivasan

The year 2011 began with multiple headwinds for Indian equity markets, raising concerns over corporate growth and profitability. The turmoil in West Asia raised the prices of crude and other essential commodities while the sovereign debt crisis in peripheral Europe led to increased nervousness. Domestically, persistently high inflation coupled with tight domestic liquidity, interest rate hikes by the Reserve Bank of India and visible risks to fiscal consolidation led to several red lights flashing over the equity market. Overall, global economic growth momentum remains weak and domestic growth momentum is clearly showing signs of moderation.

The top 100 companies that have declared fourth quarter results so far have, nonetheless, seen a robust revenue growth of 28 per cent year-on-year, the highest in the last nine quarters, resulting partly from the higher realisations due to inflation

coupled with strong demand. However, profit growth was 14.1 per cent year-on-year, down from 28.7 per cent in the last quarter, dented by higher depreciation, increased financial expenses and to some extent the high base effect. Financial costs grew 39 per cent during the quarter reflecting the adverse impact of the interest rate hikes on corporate profitability.

Given the surge in financial expenses, we could have drawn parallels with 1996/97, when a similar situation existed, but the inherent fundamentals of Indian companies have strengthened substantially since then.

For one, Corporate India has become more global, with about 40 to 45 per cent of the earnings of Sensex companies coming from businesses that have global dependence. Two, the corporate balance sheet has become underleveraged with a debt-equity ratio of about 0.5x as against 1x in the 1990s.

Three, markets have become much more diversified. The top three sectors by market cap – banks, energy and information technology, or IT – do not seem as vulnerable as they were in the 1990s. With the liquidity deficit off its peak and banks increasingly hiking their lending rates along with deposit rates, their net interest margins may contract a bit but remain healthy on the whole.

Realisations of domestic oil companies are not much impacted by global oil prices due to government subsidies. Further, 50 per cent of the earnings of the index heavyweight, Reliance Industries, come from gas which is not impacted by international price movements. Further, IT, being a service sector and broadly unleveraged, is relatively immune to domestic interest rate hikes and global commodity prices. Overall, 45 per cent of the earnings estimated for the top 100 companies have low exposure to domestic variables since they are derived from global cyclical sectors like metals and oil and gas and global non-cyclical sectors like IT and health care.

Further, the Indian economy itself has become well-diversified. The service sector, which is less leveraged, has lower capital intensity, is more globalised and has extremely low correlation with commodity prices, is, to a large extent, shielding the economy from the current challenges. Therefore, less than one-third of the top 100 companies that have declared results so far have seen downgrades in their earnings estimates. Further, despite the worst financial crisis in many decades, earnings of the top 100 companies have registered a compound annual growth rate, or CAGR, of over 19 per cent over the past five years, distinctly higher than the 15 to 16 per cent nominal growth in India's GDP during the same period.

However, variables such as commodity prices, inflation, and global and domestic economic and demand growth will continue to impact future expectations and market sentiment. The positive news is that crude prices are showing signs of tapering off. Further, slower growth in most developed economies, reduction in risk premium, and the expected end of the Quantitative Easing II in the US will reduce commodity prices. The US dollar is likely to strengthen, led by the recent shift in investor preference from commodities to lower risk assets. The net speculative position in crude as a percentage of open interest has fallen from 30 per cent during February to March 2011 to 15 per cent currently, and the US 10-year treasury yield has fallen from levels of 3.5 to 3.7 per cent in February to 3.16 per cent at present.

The differential growth rates globally will ultimately enhance fund flows towards emerging markets. We need to increase confidence amongst the global investor community so that we can become the key beneficiary of such flows, not just portfolio flows but also the more long-term foreign direct investment flows. Towards this end, it is important to restart the reform process, improve governance standards, overhaul social and physical infrastructure and remove other bottlenecks to make India an attractive place to do business. We also need to ensure we are able to channelise India's savings into productive areas. A combination of these factors will give us the capital we need to fund India's growth aspirations.

The author is Chief Executive of Financial Services, Aditya Birla Group

SRINIVASAN'S TAKE

- Revenue growth of 28% in Q4 by Top 100 firms is the best in the last nine quarters
- Profit growth dips to 14.1% from 28.7% in Q3 mainly due to a rise in financial expenses
- Inflation has a positive impact on revenue growth but hurts corporate profitability
- However, the mix of businesses lends immunity to the economy and capital markets from major shocks
- Positive signs on the crude, commodities and dollar fronts to boost market sentiment
- With fund flows to emerging markets likely to surge, India will need to woo global investors with the right policies to fund its growth aspirations

"Globalisation is Moving in Fits and Starts'

PAUL A. LAUDICINA, *Managing Officer and Chairman of the Board at A.T. Kearney, talks about how globalisation, instead of progressing in a linear fashion, is moving sporadically, what that means for businesses and how government policies are important for the long-term growth and sustainability of businesses in an interview with* **SUNNY SEN.** *Edited excerpts:*

SHEKHAR GHOSH\www.indiatodayimages.com

On globalisation: Globalisation is not progressing in a straight line; rather it is moving in a lumpy manner. What we will see is a lot of fits-and-starts progress: some countries having spurts of growth and then falling back; others doing incrementally better over a long period with no breakthrough, and still others getting things wrong. Country performance will be less important than regional performance.

On planning: There is asymmetry of time and space in planning. Companies and governments should be thinking and acting long term. Yet, the constraints of the business cycle and elections force them to think in shorter time horizons and act in ways that are actually jeopardising the future. The asymmetry of space is that companies should be thinking cross-border.

A border-less world: Companies wanting to be successful have to be global. The forces that will drive economic growth know no boundaries. In an era of continuous communication and data flow, we are essentially a border-less world. However, I don't underestimate governments making decisions which are not in their best interests.

Terms of trade: I think the terms of trade are working according to comparative advantages. We don't have the government mechanism to deal with the dislocation. The issues are not national issues; they are either regional or global. It requires a new level of regional and global governance and cooperation.

Cut and Dried

The mandatory filing of company financials in the XBRL format will make it easier to slice and dice data

By MANU KAUSHIK

What is proposed:

Starting financial year 2010/2011, all companies listed in India and their subsidiaries with paid-up capital of ₹5 crore and above, or with turnover of over ₹100 crore, are required to file their financial statements including balance sheets, profit and loss account, and cash flow statements, among others, in the XBRL, or eXtensible Business Reporting Language, format. The Ministry of Corporate Affairs, or MCA, which plans to cover about 20,000 companies in the first phase, has set a deadline of September 30 for the companies to comply with the new rule.

What will change:

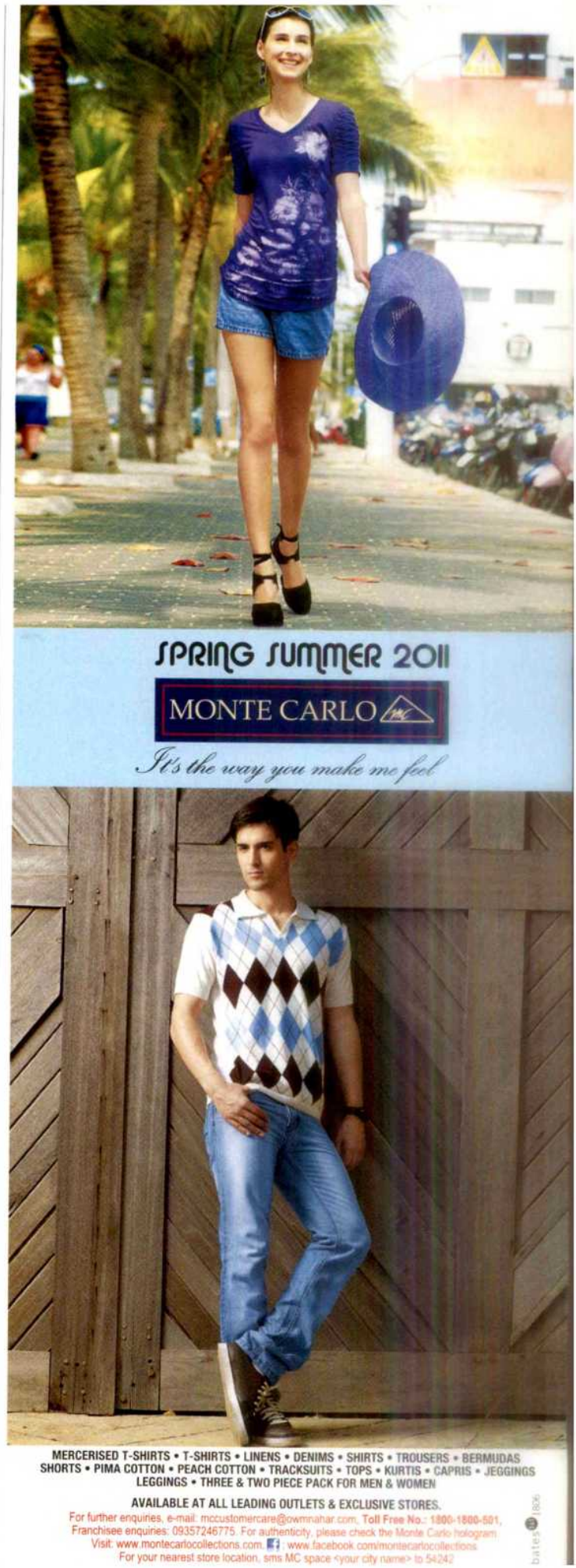
So far, companies have been filing their annual returns and balance sheets to the MCA by filling up an e-form. Financial statements are presented in Word, Excel or HTML formats that can be read but not analysed or processed according to the user's needs. Now, companies will generate a valid XBRL document that provides an identifying tag for individual data using the taxonomy prescribed by the regulators. The document will be machine readable and can be automatically read and analysed by users.

Advantages:

XBRL will allow investors, analysts, financial institutions, companies and regulators to make efficient use of financial data. Says Ram Iyer, Director of Accounting Advisory Services at KPMG: "XBRL will cut time-consuming and costly processes of manual re-entry and comparison, and afford higher accuracy and an overall improvement in the quality of information for decision-making purposes."

Global Experience:

The United States, the Netherlands, China and Britain have already adopted the XBRL format for filing financial statements. In 2004, China became the first country to formally adopt XBRL for financial reporting. The US, which adopted XBRL in 2008, has been implementing it in a phased manner and is expected to make it mandatory for all companies by the middle of next year.



Jamming on the iPad2 and a smartphone with resolution

- Lots of instruments, modes and effects. Great fun
- No tactile feedback

Price: $4.99 on the iTunes App Store

Compelling Incentive

When it comes to the games, say *Angry Birds Rio HD*, *World of Goo* or *Fruit Ninja HD*, both iterations of the iPad work pretty much the same. True, the games load faster on the iPad2 than its predecessor that came out six months ago, otherwise there seems to be little in terms of value add. That is, until you come across *Garage Band* for the iPad2. This, along with iMovie, is such a compelling piece of software that not only will it make a musician of you but it possibly tilts the scales in favour of the iPad2 when compared to the whole host of Android tablets or even the email-less BlackBerry Playbook.

There are several musical instruments that you can strum and tap on. Tactile feedback would have greatly enhanced the experience, but even without it this is a must-buy app on the iPad2. You can record yourself playing multiple instruments, and with the help of the microphone even record your own singing. Heck, if Rebecca Black can make millions from those inane lyrics, there should not be anything to stop you.

Almost Famous

To quote Engadget's review, SonyEricsson could have called this phone the Xperia 'Art'. In terms of design and aesthetics, this is one of the best looking mobile devices in the market and has probably the best screen to ever feature on an Android device to date: an absolutely stunning 854x480 pixel resolution display. If you use this device as a media hub you will not be disappointed. It has excellent video playback and Sony has installed a custom camera application along the lines of Cybershot software instead of the stock Android application, making it a top-notch still camera. Its video-recording frailties seem a bit ironical then. Its other weakness is the awful Timescape software which has a nasty habit of crashing the device. The phone runs a Qualcomm 8500-series processor, which is fairly zippy but will be rapidly superseded by dual-core processors. It seems that in the mobile phone world, a device can reign as king for only a few weeks.

COMPILED BY KUSHAN MITRA

- Excellent design, brilliant screen and camera software
- Expensive, Timescape software is resource hungry

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not ok at the awards too. CV magazine in
association with Apollo tyres have recognised
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'HCV truck of the year' in the rigid category.
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build quality and world-class design, the
MN25 reaffirms Mahindra Navistar's
commitment to setting new benchmarks for
transport in India. Ok is no longer ok.
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Deal Watch

BIGGEST DEALS IN THE PAST 30 DAYS*

Gautam S. Adani, Chairman, Adani Group

India's largest private port operator Mundra Port and Special Economic Zone, or MPSEZ, part of Adani Enterprises, has won the bid to acquire Australia-based Abbot Point X50 Coal Terminal, or APCT, for ₹90 billion.

The acquisition is structured through a 99-year lease to operate and develop APCT, and covers existing coal terminal facilities and associated infrastructure.

The deal marks MPSEZ's foray outside India with global recognition. This deal is expected to double MPSEZ's cargo-handling capacity with an additional capacity of 50 million tonnes. Moreover, APCT has further scope to increase its capacity by 30 million tonnes.

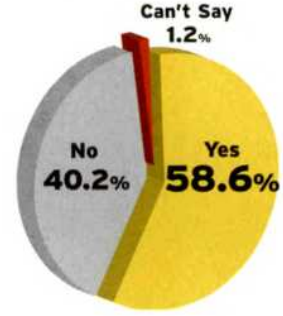
This port is also likely to help Adani Enterprises in transporting coal to its power plants in India from the mines it acquired in Australia last year.

TARGET	ACQUIRER	INDUSTRY	TYPE	DEAL VALUE (₹ CR)	STAKE (%)
Abbot Point Coal Terminal	Mundra Port & SEZ	Ports and shipping	Acquisition	**8,677**	100
Cairn India	Sesa Goa	Oil and gas	Acquisition	**6,620**	10.5
Domsjö Fabriker AB	M/S Goldcup 6538 AB	Paper	Acquisition	**1,504**	100
Kanoria Chemicals & Industries	Aditya Birla Chem (India)	Chemicals	Acquisition	**830**	100
Gemmia Worldwide SA	Ram Kaashyap Investment	Professional services	Acquisition	**664**	100
Tata Refractories	Krosaki Harima Corpn	Cement and building products	Acquisition	**576**	51
Domsjö Fabriker AB	Grasim Industries	Paper	Acquisition	**280**	33
UFO Moviez India	Providence Equity Partners	Media and entertainment	Private equity	**260**	NA
Gayatri Energy Ventures	IFCI	Power and utilities	Private equity	**250**	NA
Cleartrip Travel Services	Concur Technologies	Travel	Investment	**178**	NA

Ernst & Young is a leading M&A advisor in India. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* or E&Y do not undertake any responsibility with regard to any such decision

*April 12 to May 9, 2011 Not a complete list

Q. Are gold and silver better investment options than equities?



Results of *BT* online poll; No. of respondents: 161

Majority of respondents has bet in favour of the precious metals. No doubt, gold and silver prices have seen an unprecedented rally since 2008, as they tend to thrive in uncertain situations. This is because they are seen as being safer than cash. But there has been a fall from their all-time high prices since the gunning down of Osama bin Laden, which is being seen as a respite from the terror threat. Equities, on the other hand, remain the best bet for wealth creation, albeit risky. To offset that risk, investors can diversify their portfolios by including gold and silver in them besides other instruments.

Next poll question:

Does the change of government in West Bengal augur well for business?

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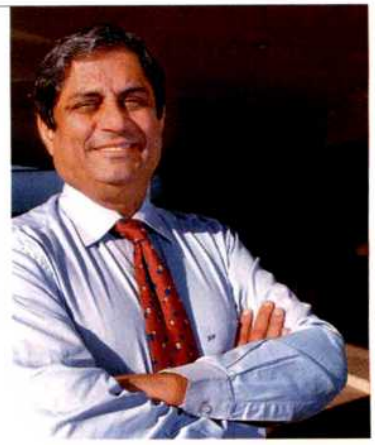
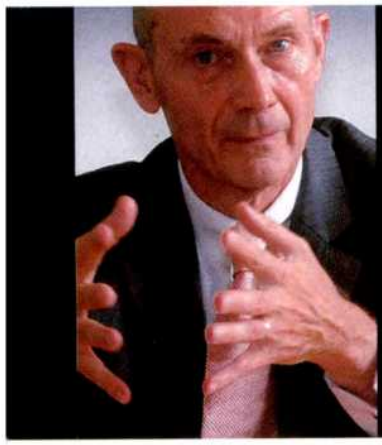
*EcoStruxure architecture reduces energy consumption by up to 30%.

"India is a consumption story.... Demand for financial services will exceed supply for the next 10 years. Hence, there is no room for irrational demand in the economy."

Aditya Puri, *CEO, HDFC Bank, in* The Economic Times



SHEKHAR GHOSH



"We cannot proceed with the attitude that it is business as usual.... We will need political attitudes to change if we are to conclude."

Pascal Lamy, *Director General, WTO, on the Doha round of trade talks, in* The Economic Times

"Inflation targeting is neither feasible nor advisable.... In an emerging econom it is not practical for the central bank t focus exclusively on inflation, oblivious to the larger development context."

D. Subbarao, *Governor, Reserve Bank of India, at the Central Bank Governance Group meeting in Basel, Switzerland, quoted by agencies*

"I took over the airline (Air India) to run it, not shut it."

Vayalar Ravi, *Civil Aviation Minister, in* The Economic Times

"Thanks to the actions of the US and China, we have put out the worst of the financial fires and the world economy is growing again."

Timothy Geithner, *US Treasury Secretary, at the China-US Strategic and Economic Dialogue in Washington, quoted by* China Daily

CLASSIC BUSINESS QUOTE

"If I were born again, I would still be an industrialist. I complain because it's very hard work..."

Sakip Sabanci, *late Turkish businessman*

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THE TOP 10 Most Watched Ads

April 2011

Airtel 3G

GRPs 845

1 Rank

Seconds on air: 5,61,015

Cadbury 5 Star

GRPs 752

2 Rank

Seconds on air: 2,77,090

Lux Fresh Splash

GRPs 701

3 Rank

Seconds on air: 3,07,950

Tang

GRPs 684

4 Rank

Seconds on air: 1,99,205

Stayfree Secure Dry Wing

GRPs 604

5 Rank

Seconds on air: 1,34,610

Dettol Cool Soap

GRPs 564

6 Rank

Seconds on air: 2,27,960

Complan

GRPs 554

7 Rank

Seconds on air: 1,64,850

Huggies Dry Pants

GRPs 552

8 Rank

Seconds on air: 2,48,755

Cadbury Dairy Milk Shots

GRPs 551

9 Rank

Seconds on air: 2,46,280

Glucon D

GRPs 520

10 Rank

Seconds on air: 1,54,130

Food and beverages giant Kraft Foods has begun unleashing its arsenal – it breaks into the *BT*-TAM Most Watched Ads list with its Tang commercial at the fourth position. Another high-profile entrant is 3G, which begins its journey right at the top with the Airtel 3G ad. In it, a soldier at an outpost comes face-to-face with his sweetheart – but as the camera zooms out, you notice the 3G connect with the mobile in his palm. There is more drama in store this summer.

COMPILED BY SHAMNI PANDE

... THE OTHER 15

RANK/BRAND		GRPs
11	Dettol Skincare Soap	512
12	LG Side By Side Refrigerator	492
13	Sunsilk Nano Complex	490
14	Fair & Lovely Multivitamin	484
15	Parachute Advanced	456
16	Clinic Plus Shampoo	442
17	Cadbury Dairy Milk Chocolate	432
18	Sun Direct	426
19	Horlicks Junior	415
20	Cadbury Bournvita	413
21	Colgate Dental Cream	412
22	Dove Fresh Moisture	411
23	Garnier Light Ultra	409
24	Dominos Pizza Mania	409
25	Limca	401

All India CS 4+Yrs; GRP normalised to 30 secs
To see ad duration, visit www.businesstoday.in
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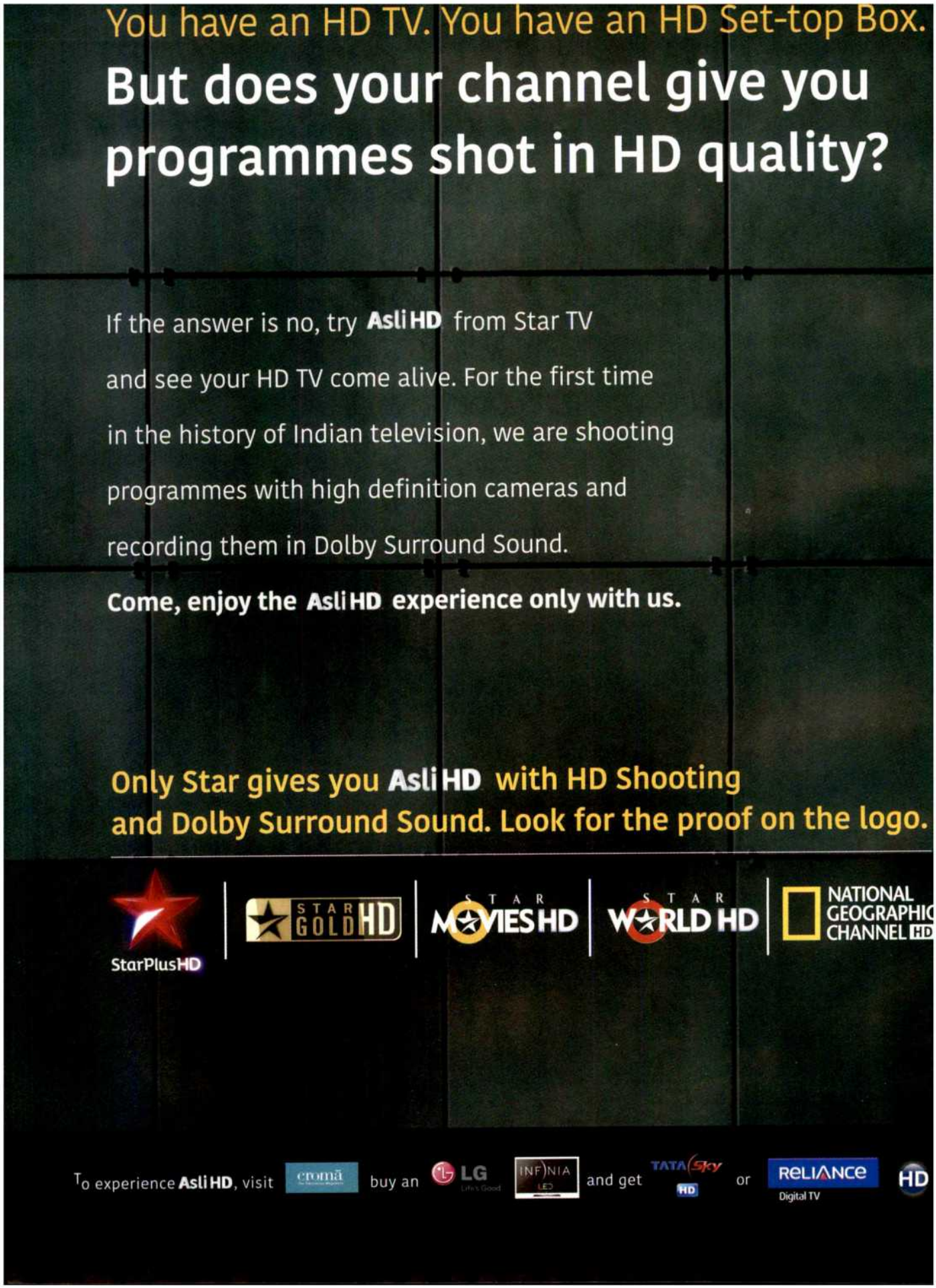
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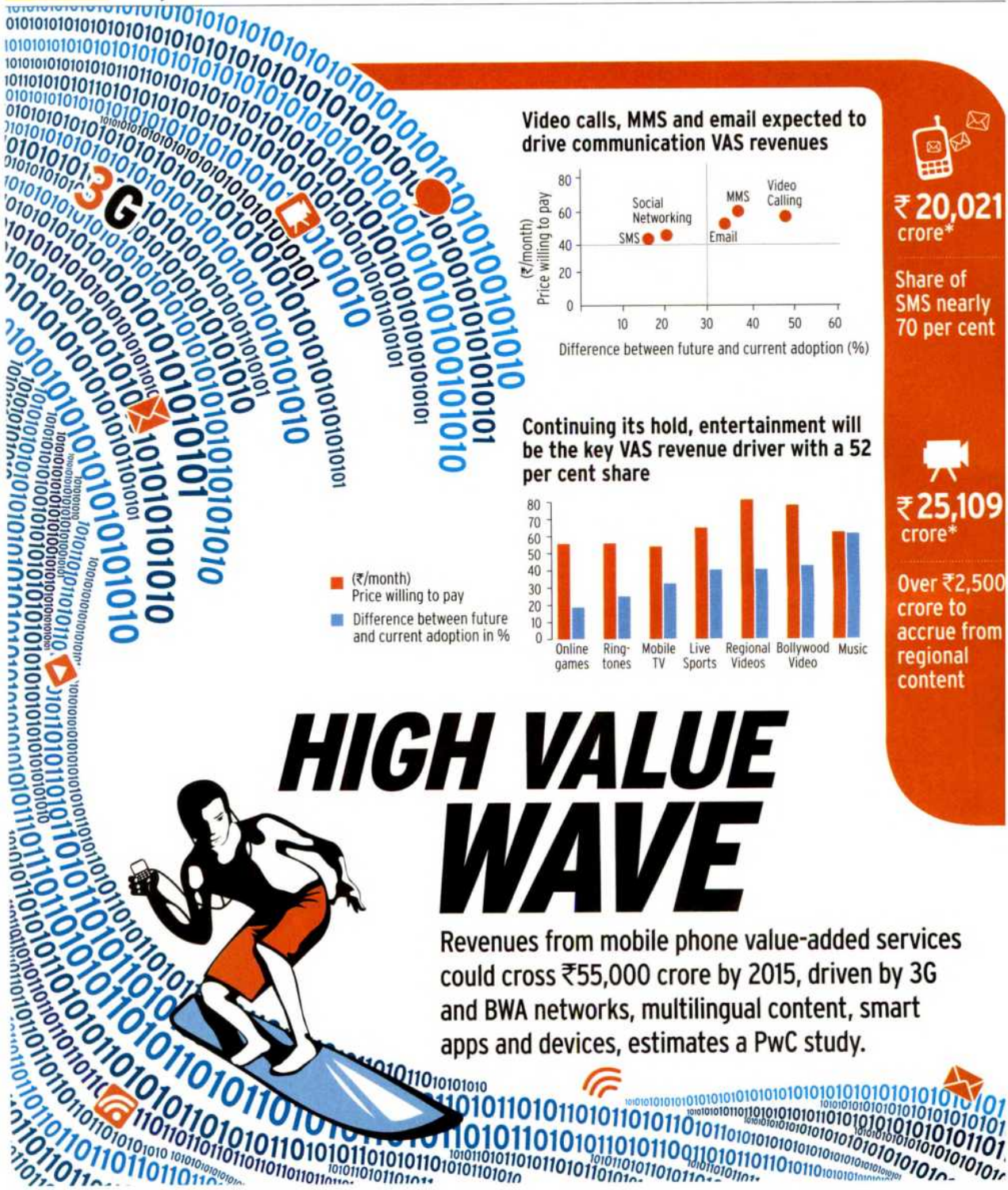


Video calls, MMS and email expected to drive communication VAS revenues

Continuing its hold, entertainment will be the key VAS revenue driver with a 52 per cent share

₹20,021 crore*

Share of SMS nearly 70 per cent

₹25,109 crore*

Over ₹2,500 crore to accrue from regional content

HIGH VALUE WAVE

Revenues from mobile phone value-added services could cross ₹55,000 crore by 2015, driven by 3G and BWA networks, multilingual content, smart apps and devices, estimates a PwC study.

5 STEPS TO HERE

AIR INDIA'S SOARING LOSSES

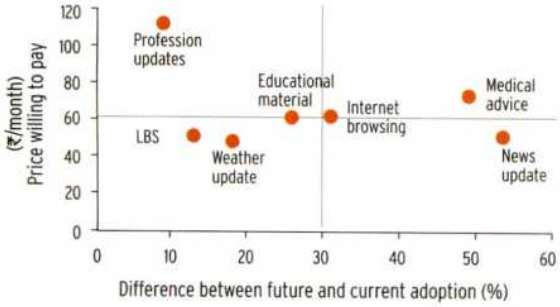
1

March 2007
Air India and Indian Airlines announce a loss of about ₹541 crore and ₹230 crore, respectively, in 2006/07.

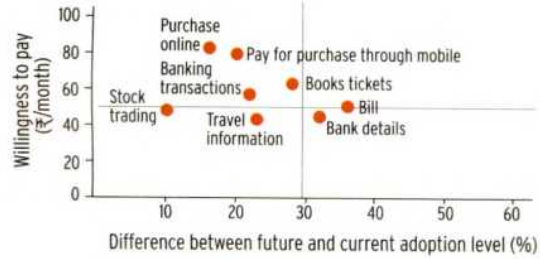
2

March 2008
Air India and Indian Airlines are merged to create the National Aviation Co. of India Ltd, or Nacil. It posts a loss of ₹2,226 crore in 2007/08.

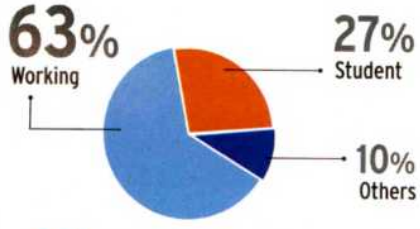
News updates and medical advice will contribute 37 per cent and 29 per cent, respectively, to information VAS revenues



mCommerce, while still trailing other categories, will be the key driver of financial inclusion



Nearly two-thirds of the estimated subscribers in 2015 are expected to be working



*Estimated revenue by 2015

Source: PwC Analysis

₹7,953 crore*

Medical advice to generate about ₹2,000 crore

₹2,600 crore*

Transactions to fetch ₹1,600 crore

₹14,677 crore

likely VAS revenue from working population by 2015

GRAPHIC BY SANTOSH KUSHWAHA

BT Retro
December 3, 2006

Cricket Gets Pricey for Sony

THEN: With the old guard of the Indian cricket team a few years from retirement and bidding rates for cricket going through the roof, Sony Entertainment Television (SET) has decided not to bid for the International Cricket Council's (ICC) telecast rights for the 2011 and 2015 World Cups and all ICC-related tournaments during that time. "Cricket is a high risk game and bidding prices have touched the stratosphere this time," says Kunal Dasgupta, CEO of SET India. For competitors Zee, ESPN and Ten Sports, it's one company less in the fray. "Cricket is an intangible property and each company's view on whether the price for rights is expensive or not depends on how much money he can put on the table," says R.C. Venkateish, Managing Director of ESPN. He refused to comment on the reported bids for the rights—Zee at $900 million (Rs 4,050 crore) for all rights and ESPN-Star Sports at $600 million (Rs 2,700 crore) for India rights—saying: "They are still in sealed envelopes, which will be opened in the next couple of days." If these numbers are correct, it will mean a substantial increase to Sony's $250 million (Rs 1,125 crore) bid for the 2003 and 2007 World Cups.

Manish Porwal, Executive Director, India (West) Starcom Worldwide, agrees that cricket prices have hit the ceiling. "The broadcasters need to think not twice but 10 times before making a bid at these prices," he says.

NOW: Television Viewer Ratings for the ICC World Cup 2011 were 69 per cent higher than the 2007 edition. In contrast, TVRs for the first 25 matches of IPL 4 show a 27 per cent drop over IPL 3.

3

July 2009
Air India's accumulated losses are officially pegged at ₹7,200 crore with an estimated ₹5,000 crore loss in 2008/09 alone.

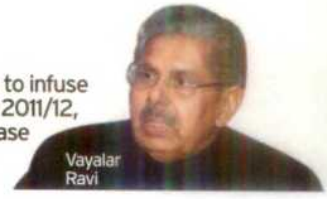
4

February 2010
Air India's debt balloons to ₹15,241 crore. And, its estimated losses for 2009/10 are pegged at ₹5,400 crore.

5

May 2011
The government proposes to infuse ₹1,200 crore in Air India in 2011/12, which will take its equity base to ₹3,345 crore.

ANAMIKA BUTALIA


Vayalar Ravi

HOW THINGS WORK

Satellite Search

Recently, the Indian Space Research Organisation, or ISRO, deployed satellites to scan the area in Arunachal Pradesh where the chopper carrying the state chief minister went missing. The satellite search mission failed, as bad weather over the area yielded hazy pictures. Here is a primer on how such a search works:

TRACKING FACILITY: Satellite search is conducted using ISRO's Telemetry, Tracking and Command Network, or ISTRAC, which provides support to low earth orbit satellites and launch vehicle missions. The facility is headquartered in Bangalore and has a network of ground stations at Lucknow, Sriharikota, Port Blair and Thiruvananthapuram as well as in Mauritius, Bearslake (Russia), Brunei and Biak (Indonesia).

WHAT DOES IT DO? ISTRAC records the location of an object or individual at regular intervals. Once a satellite spots the object being looked for, a central database location records its exact position in terms of latitude and longitude.

WHEN IS IT USED? ISTRAC has been used to follow the movement of VVIPs as well as track down criminals, details of which are scarce.

JUST WONDERING

Torpedoed by Delays

In 2004, the Indian government signed a ₹18,798-crore deal with France's DCN to build six diesel-powered Scorpene submarines in India. These submarines were to be delivered to the Indian Navy between 2012 and 2017. The first one was to be built by Mazgaon Dockyards Ltd, or MDL, by 2012. But work on that has yet to begin, thanks to "teething problems like absorption of technology and augmentation of the MDL infrastructure and procurement of materials". Now the deadline for the first and the last sub has been extended to 2014 and the second half of 2018, respectively. The deal, which took nine years to conclude and "is likely to impact the operational capability of the Navy", as per a 2009 report of the Comptroller and Auditor General of India, has suffered from cost overruns as well. Last September, the Rajya Sabha was informed about the sanction of an additional ₹4,764 crore for the project. What next?

COMPILED BY ANAMIKA BUTALIA

QUIRKY

Offtrack

It's "bird-watching" of a different sort for the staff of Indian Railways. Over the past few months, they have been scouting the tracks for bird nests – and removing them. Central Railway officials boast of having removed over 1,000 nests in the past two months. Our feathered friends are sure to have been greatly discomfited by this exercise, as areas around the tracks are safe nesting places for them with plenty of food and recreation. But that is not the case with the railway maintenance staff, which is required to keep a strict vigil around the tracks during the nesting season from February to May and remove the nests to avert short circuits on overhead electric lines.

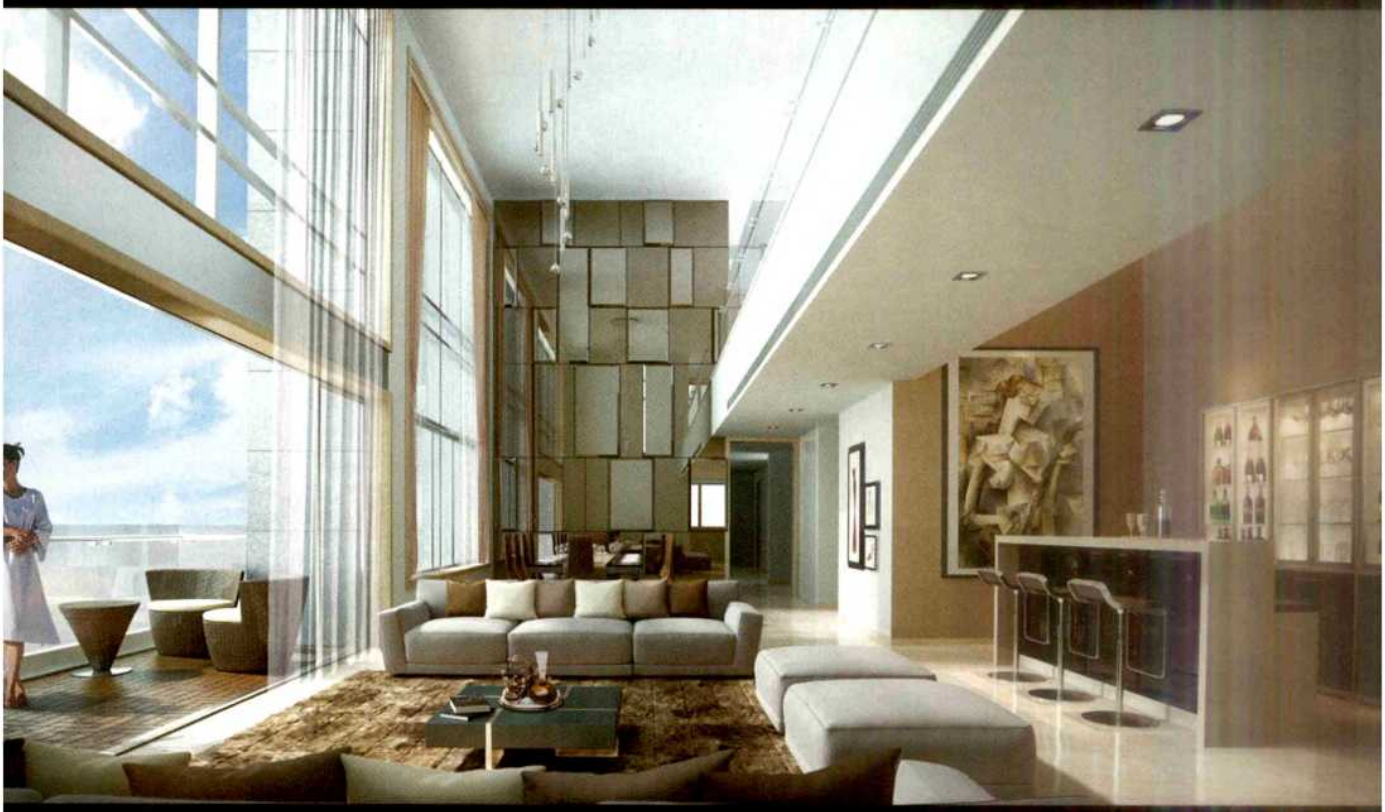
SNOOT CORNER

Don't Whine Over Wine

When it comes to pairing wine with food, most hosts tend to be apologetic about their ignorance. It is, however, important to taste the wine along with the food to see if they go well together. Here are some quick tips on pairing. The ground rules are that red meat corresponds with red wine and lean meat (chicken/fish) goes well with white wine. Pick a **wine** that you can associate with certain flavours, aromas, and even the time of day. Riesling is a wine that pairs with every European dish. Rosé wine is really the easiest to pair with European food. Usually, traditional dishes and wines from a particular region pair comfortably with each other.

SOBHA

PASSION AT WORK



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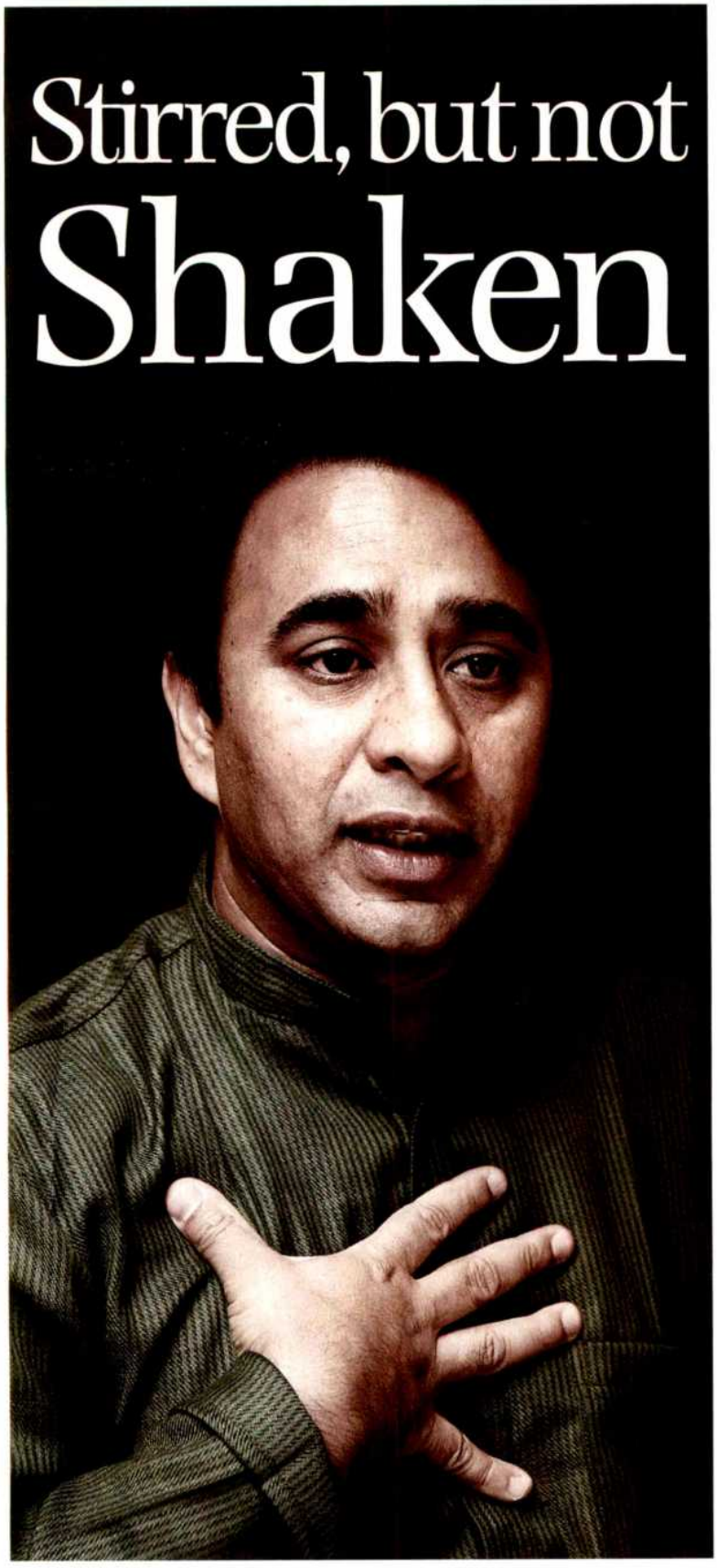
Stirred, but not Shaken



MONEY SHARMA/www.indiatodayimages.com

Will Vikram Akula be able to clear the mess and put SKS Microfinance back on track? By E. KUMAR SHARMA

Vikram Akula's SKS Microfinance, once the showcase company of the Indian microfinance sector, is having to re-design its business as well as salvage its reputation.

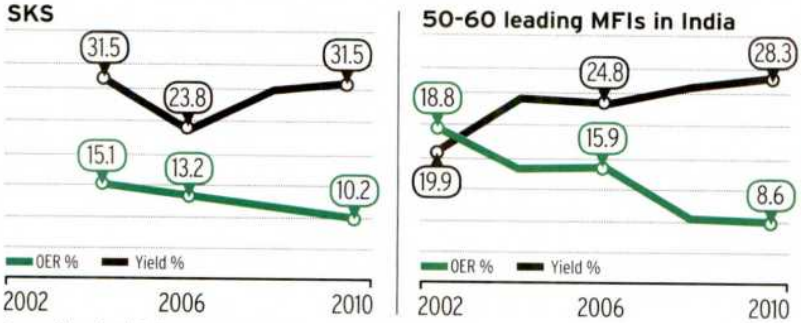
Less than a year ago, in August 2010, the company was riding high, having become the first microfinance institution, or MFI, to go in for an initial public offering which was received with much enthusiasm and oversubscribed nearly 14 times. Yet its fourth quarter results, for the year 2010/2011, report a loss of ₹70 crore.

Worse, its reputation, along with that of the entire microfinance sector, has taken a battering, following suicides by poor borrowers in Andhra Pradesh allegedly due to coercive loan recovery methods resorted to by some MFIs, who had begun to resemble the very village moneylenders they sought to replace. The Andhra government responded by restricting MFI activities, while the Reserve Bank of India too recently brought in regulations.

The forever-clad-in-kurta Akula firmly denies any wrongdoing on SKS's part. "Whatever happened was due to external factors and was not reflective of any fundamental flaw in our model," he says. But he has also realised the need to look for new growth avenues. He is considering a four-way diversification of his business. Apart from microfinance, SKS will also provide gold loans (loans against gold), extend housing loans, besides loans to buy

Tough Times

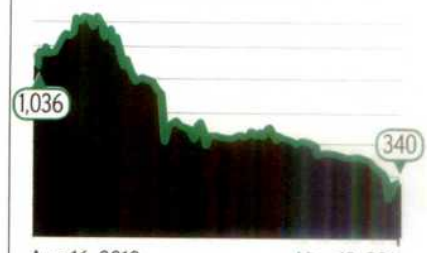
Key ratios indicating the performance of SKS Microfinance and the entire sector since 2002



Source: Micro-Credit Ratings International Ltd.

That Sinking Feeling

How SKS's share price has been falling



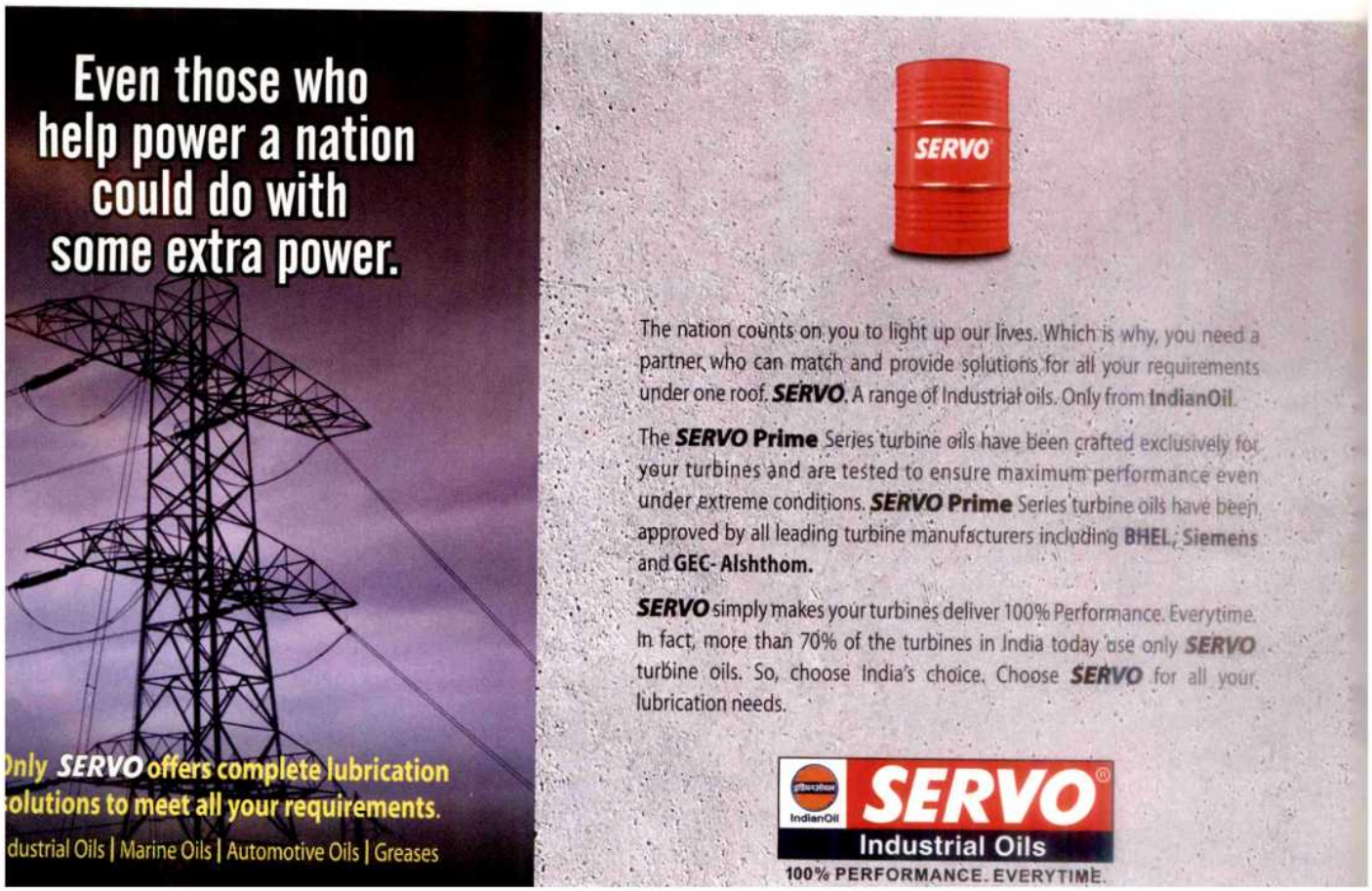
Source: BSE

mobiles, and to replenish local grocery stores in a supply arrangement with the cash-and-carry chain, Metro. "The pilot projects have been yielding very encouraging results," he says.

But are external factors solely to blame for SKS's decline? Not everyone agrees. "The IPO, the firm's aggressive growth preceding it and the way it attracted others to follow suit laid the road to the current crisis," says Sanjay Sinha, Managing Director, Micro-Credit Ratings International Ltd, an agency that rates MFIs. In an open letter to the Consultative Group to Assist the Poor, a World Bank resource agency on microfinance, he wrote: "The success of the IPO itself became a problem, tempting SKS promoters to take ill-timed management decisions, which invited further scrutiny and precipitated the Andhra government's intervention."

"SKS was the role model for many MFIs and its aggressive growth encouraged others to scale up similarly. This saw rapid growth with multiple loans to the same borrowers," says Jayshree Vyas, Managing Director of SEWA Bank, and Chairperson of Sa-Dhan, an association of institutions involved in microfinance.

A look at the financials of 50-odd leading MFIs during the time



that SKS began expanding rapidly shows how their yields (the amount realised on average from a client by an MFI) kept falling until 2006 and then began rising fast despite their dipping OER (operating expenses as a proportion of portfolio). (See *Tough Times.*) Analysts and those like M-CRIL's Sinha link this to SKS's decision in 2007 to work towards the IPO. "What happened thereafter was that MFIs snapped their relations with the poor borrowers," says a leading sector expert requesting anonymity.

"There was no social development message, no hand-holding of the poor. It was down to spotting a borrower and engaging in a financial transaction," says Vijayalakshmi Das, CEO, Ananya Finance for Inclusive Growth, and a respected name in the sector.

Though Akula says SKS's fundamentals are sound and only recoveries in Andhra Pradesh are a problem following state interference, not many within the sector share his optimism over his company's balance sheet. The common view seems to be that though SKS was flush with funds following the IPO, what needs to be seen is the way its balance sheet will look three to four years from now. Of the total gross loan portfolio of ₹4,111 crore, the share of Andhra Pradesh (including the overdues) is ₹1,285 crore. Even accounting for the 10.3 per cent recoveries continuing in the state, the company's balance sheet will take a huge hit if SKS writes off such a large amount in the next three to four years. It is these fears that seems to be reflecting on the bourses with the SKS scrip dipping by around 70 per cent since October 2010, when the Andhra government ordinance came in. (See *That Sinking Feeling.*)

But Akula is not unduly fazed – he merely sees the short term as "challenging", the medium term as "a period of stability", with a return to robust commercial operations in the long term. ◆

INTERVIEW VIKRAM AKULA

"Andhra Is a One-off Problem"

While most microfinance institutions in India and even globally do not have even a total of 100,000 clients, SKS Microfinance last year was adding 100,000 new clients each week. But the scene has changed dramatically for the worse since then. In an interview to **E. KUMAR SHARMA,** *Founder and Chairman of SKS Microfinance,* **VIKRAM AKULA,** *says: "We have stopped acquiring new clients. Our focus is on our existing clients and bridging the gap created by other MFIs." Edited excerpts:*

You must be disappointed with SKS Microfinance's fourth quarter results. Who is to blame?

It is a disappointment. But we are hopeful because it is really externally driven and does not in any way reflect any fundamental flaw in our model. SKS has now moved the Supreme Court (on the Andhra Pradesh ordinance putting restrictions on MFIs).

Is it only external factors?

Look at our performance in the other 18 states of the country, where we do not face political challenges. Out of a total of 379 districts where we operate, we have an average repayment rate of 96 per cent everywhere, except for the 23 districts of Andhra Pradesh. That is why we feel this is a one-off problem and not a systemic issue.

Why have you said the next two quarters will be painful?

By October 15, our total portfolio will be one-year-old (the ordinance was passed last October). Every single outstanding amount will become due and we will get a clear picture of the repayment [scenario] for the one-year loans (a typical MFI loan has to be repaid in 50 weeks).

Full transcript of the interview
www.businesstoday.in/ak

You talk of giving gold loans. But that is not what your loan officers are trained for. Will you re-orient your staff or seek outside help?

We will be looking at outside recruitment for this. There will be a separate branch and separate staff co-located with our existing staff.

What sort of pressures do an IPO put on growth strategy in a sector like yours?

None. If at all, the IPO has helped us. We are sitting on cash and capital that is extremely important to survive today. Because of the IPO, we are in a strong position with about ₹550 crore in cash or liquid assets and a net worth of ₹1,800 crore.

What is your outlook for the short to medium term?

The short term will be challenging, the medium term will see stability; in the long term, we'll get back to our robust commercial operations. ◆

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Trust Deficit

With its reputation at risk, its business model under a cloud, the microfinance sector is struggling to survive. By E. KUMAR SHARMA

Runaway commercialisation and too rapid a growth, followed by a clampdown by the Andhra Pradesh government, has led to the mess the Indian microfinance sector currently finds itself in. A total disconnect between microfinance institutions, or MFIs, and their borrowers, near absence of regulation to check fly by night operators and lack of product innovation, have added to the crisis.

"The sector needs fresh thinking and significant reorientation. There should be a clear focus on demand profile and proper designing of products," says Vijay Mahajan, founder of BASIX, a leading microfinance and livelihood institution.

"Microfinance in India was appreciated for its edge over banks in handholding and supporting poor borrowers," says Vijayalakshmi Das, industry expert and formerly CEO of Friends of Women's World Banking, India, an organisation which assisted most of the leading MFIs in their early days. "It took 15 to 20 years to build the reputation. Because of commercialisation, it has been lost."

Mahajan, who set up one of the earliest MFIs in the country, in 1996, blames all the stakeholders in the sector. Those entering the fray sought to emulate the 'grameen' model – after the Grameen Bank in Bangladesh, started by Nobel prize winner Mohammed Yunus, the father of microfinance. "Just replicating this model without forethought and looking at weekly repayments in a country where 66 per cent of the rural India is dependent on agriculture is unworkable," he says.

But even Mahajan is unable to suggest any alternative model. One method could be "individual collaterarised loans", which seek collateral from borrowers, he says, but this "would filter out the poor who cannot provide any".

VIVAN MEHRA

A woman, helped by an MFI loan, to become self-employed, rolls bidis in Shahdol district of Madhya Pradesh

STUNTED GROWTH
Findings of an April 2011 survey of 53 MFIs by Sa-Dhan, a microfinance association

- With banks stopping loans to them, the financials of MFIs have been badly hit
- The loan portfolio of these MFIs has grown by only 10% in 2010/11. (In 2009/10, the portfolio growth of 264 MFIs surveyed was 56%)
- The total loans currently outstanding to MFIs will be around ₹20,000 crore

Last October, following numerous reports of suicides by small borrowers in Andhra Pradesh – the hub of microfinance in India – allegedly due to the coercive loan-recovery methods used by some MFIs if the borrowers defaulted, the state government passed a sweeping law to curb such excesses, making it mandatory for MFIs to stop weekly collections, furnish their list of borrowers to the government, specify their area of operations and interest rates.

The Reserve Bank of India, or RBI, too, got into the act and set up a committee of its central board of directors headed by Y.H. Malegam to study the sector and suggest ways of making it accountable. The Malegam report, urging a cap on interest rates MFIs could charge, a total ban on coercive recoveries and much else, was submitted in January this year, which the RBI has broadly accepted.

"I would now expect some sort of consolidation. Only big players who have the technology and the systems may be able to survive," says M.S. Sriram, former professor at IIM Ahmedabad, who has been tracking the sector.

MFIs are upset, but there is little they can do. "All these regulations are like saying to us 'We will not kill you, but we will make it difficult for you to breathe,'" says an MFI representative, seeking anonymity.

What of the future? Puli Kishore Kumar, Managing Director of Trident Microfin, an MFI, says: "Now with the RBI policy in place and with MFIs clear on rectifying some of their practices and policies, we hope that the banks will regain their confidence in the sector in the next two to three years." As for Andhra Pradesh, he says: "There will be consolidation and those focused only on that state may find it difficult to survive." ◆

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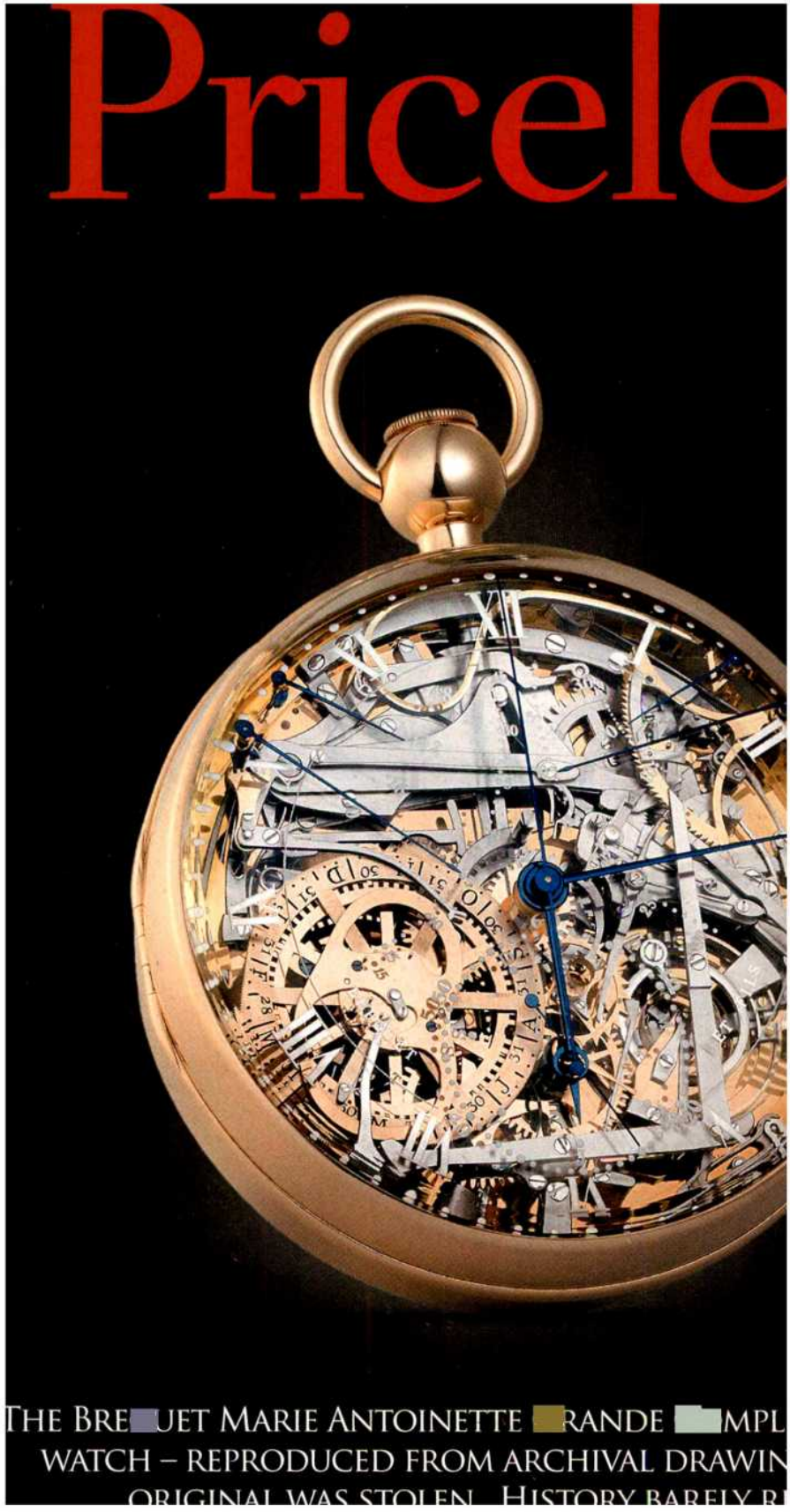

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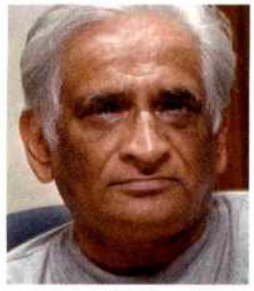

How Much Land Does the Government Need?

While Indian law inherited the statutory law of eminent domain, or EmD, from Britain's Land Acquisition Act, 1894 (LA1894), its constitutional principles came from America. Constitutionally, property could be acquired through EmD for a public purpose on payment of 'just equivalent compensation'; and the power to do so was regulated through the police to protect public health, law and order, and morality. The right to property and liberty, read with due process, protected large property owners and businessmen and impeded social reform for workers, the poor, women and children. Despite dissenting voices pointing to a direct conflict between liberty, property and social justice, this was the most doubtful period of the American Supreme Court's existence.

Our constitution makers prioritised nationalising the property of landlords on payment of meagre compensation. But there were loose ends. In the first great counter campaign from 1952 to 1964 against the invoking of EmD, the Supreme Court, or SC, and high courts struck down Zamindari legislation, inspiring constitutional amendments. Between 1964 and 1973, the SC fought a rearguard action to protect the right to compensation in matters of corporate property in the Bank Nationalisation case (1970) and the Privy Purses of the Maharajas case (1971). More amendments followed. In the Basic Structure case (1973) the SC ruled that all amendments were subject to the basic structure of the Constitution. The government's stance was that abolishing feudal power and controlling business could not be done by following classical EmD principles. In neighbouring Pakistan feudal property was left untouched to make it a propertied democracy.

But was the right to property a part of the basic structure? Whom would these judgments protect? The Janata Government in 1977 decided to accept Justice Mohammad Hidayatullah's incorrect advice that property should not be a fundamental right, but just an ordinary right.

Nothing could have been more short sighted. What was overlooked was that property rights were not just for the rich but also for the less well off. The Hidayatullah formula threw the baby out with the bathwater. The result was that the only protection available to the landowner was the LA1894. This old colonial Act froze prices, gave niggardly compensation and gobbled up land for illusory public purposes – for urbanisation, factories, business and infrastructure. Villages were routed out of existence. In 1984, amendments were brought in to increase compensation and also prevent its long term freezing. But after liberalisation in 1991, business and industry have been continuously hungry for land. They bought land from peasants through the LA1894. The worst hit were the poor, farmers and tribals.

There was little respite for the vulnerable poor. Later, what the government proposed was two-fold: (i) In large river valley and other projects, there should be relief and rehabilitation, or RR, for the displaced. Fighting for equitable formulas is explicated in the Narmada Dam-related cases where the SC gave minimal protection. The latest Omkareshwar Dam judgment passed this month distorts the RR policy with vehemence and rubbishes the Narmada Bachao Andolan's work to help the oustees; (ii) The second strategy seeks to devise new land acquisition laws with an RR package of land-for-land, project sharing and employment.

The Janata government in 1977 decided to accept Justice Hidayatullah's incorrect advice that property should not be a fundamental right. Nothing could have been more short sighted

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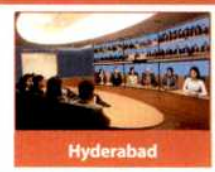

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Up in arms: Farmers of Bhatta village near Noida in Uttar Pradesh protest land acquisition

None of this will mitigate the rapacity of land acquisition, the destruction of village community life and the property rights of the poor. Compensation is illusory if you cannot use it for a better life. Earlier, the SC had supported rapacious acquisition on harsh terms. This is to be found in the judgments of K. Ramaswamy, who rewrote the implementation of the LA1894 in the 1990s in favour of state acquisition. But business has stepped in for government on virtually all aspects of infrastructure and development. From 2000 or so it took the judgments of Justices Sinha and Singhvi in succession to build up the due process of acquisition so that at least objections were better heard.

In this decade, the SC has viewed land acquisition with refined but blinkered eyes. The new proposed Land Acquisition (Amendment) Bill, 2011 will help revise compensation into some measures of RR. But neither the court nor various governments have dealt with the rapacity of land acquisition. The key concept here is 'public purpose'. Today, after liberalisation, 'public purpose' includes 'private purpose'. Massive acquisition is taking place for builders, residences, malls, roads, SEZs. What is this new privatised public purpose? India will supposedly shine if development takes place through the powerful by acquiring land to displace the rural poor.

At present under LA1894, apart from statutory protest and compensation, all that a person can do is get his land partially or fully excluded from acquisition. At this, the rich are better than the poor. Why? They are better organised. They marshal objections better. They have influence. Even after land is acquired, it can be released if possession has not been taken. The influential can get this done. In the Omkareshwar Dam case, oustees in five villages were given back their land, even though paper possession had been taken. All this to avoid a proper RR for the oustees. Ironically, the Narmada Bachao Andolan's role in helping litigants was adversely commented upon for unjust reasons.

The governments of the Union and states support policies for maximising rapacious acquisition for business with increased compensation. But displaced villagers never have enough compensation to buy new lands. Others will sell out to corporate agriculture. The ordinary farmer will disappear as he did in America. Our poor farmers, numbering around 300 million, hovering at poverty levels, have few avenues to join the emerging economy, which will ruthlessly render them landless and vulnerable.

Eminent domain is a colonial idea, rewritten by America to feed the prospects of the rich. Today, it is being used to hand over large tracts of India to business at great social cost

Eminent domain is a colonial concept, rewritten by America to feed the prospects of the rich. Today, it is being used to hand over large tracts of India to business at immense social cost. Adding RR is, to some extent, a gift; but it is the acquisition policy that needs to be examined. Singur and Nandigram are not aberrations. The confused and betrayed farmers will fight at their peril – either way. ◆

The author is an eminent Supreme Court lawyer

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Reality Kicks In

Unrealistic assumptions made while fixing fiscal deficit targets have come unstuck and may hurt efforts to control inflation.

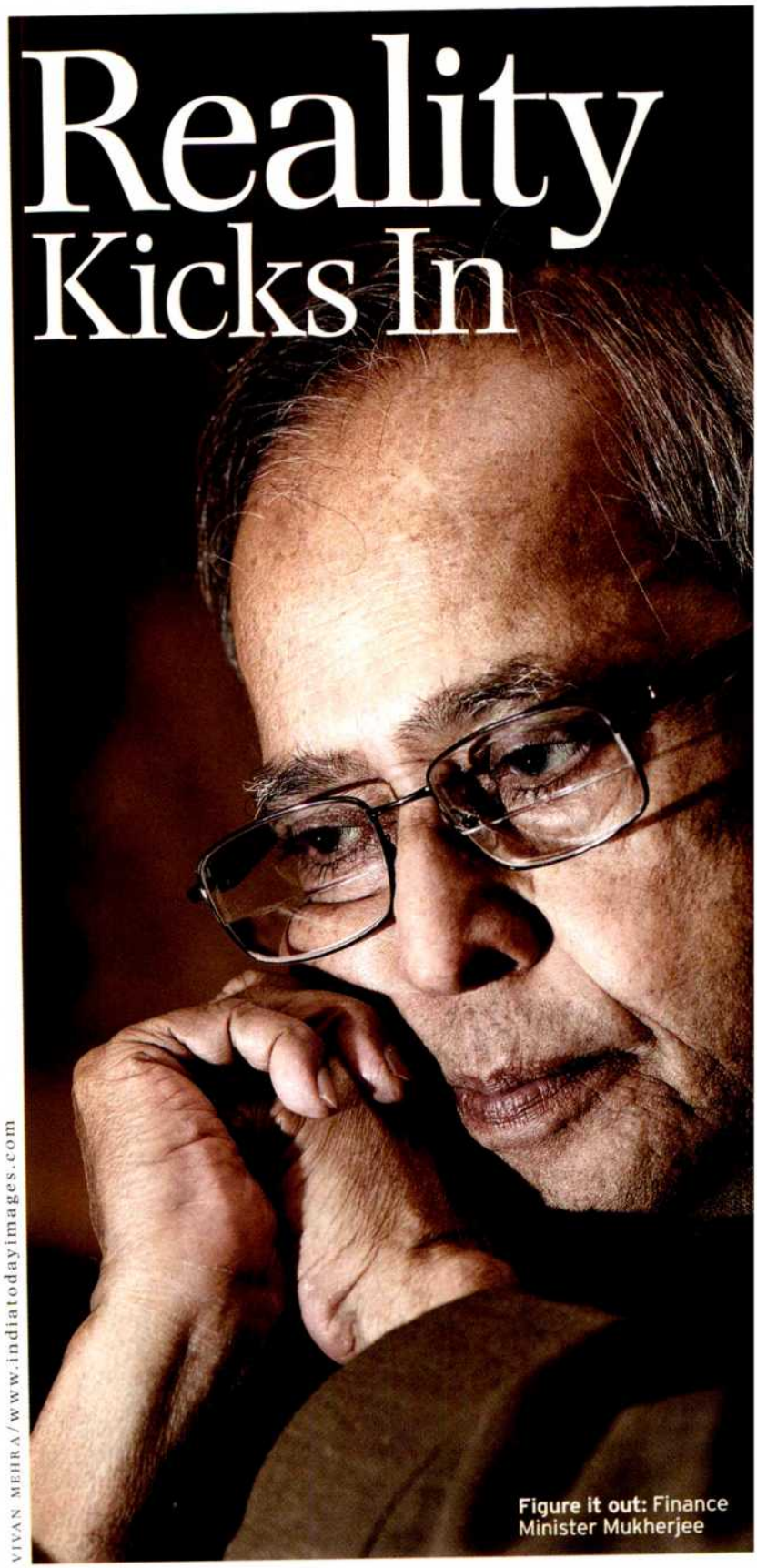
By PUJA MEHRA

Less than three months after Finance Minister Pranab Mukherjee announced the budget on February 28, his calculations seem to be going awry.

Mukherjee had projected that the fiscal situation would markedly improve in the current financial year. Targeting a 12.5 per cent decline in subsidies and a less than four per cent rise in government spending, Mukherjee projected a fiscal deficit – the difference between the government's spending and its revenues – of 4.6 per cent of GDP for 2011/12, down from 5.1 per cent of GDP in 2010/11. The Finance Bill for Budget 2011 is yet to be passed by Parliament.

Though the aggressive target for fiscal correction set in it earned Mukherjee's budget much applause – industry leaders and Dalal Street hailed him as India's "chief reformer" – some analysts had pointed out that his calculations could be based on unrealistic assumptions. Most important amongst these was that global crude and commodity prices would remain throughout the year at the same levels that they were when the budget was being prepared.

Not surprisingly, the assumption on crude prices has already failed to play out. The Reserve Bank of India's Governor Duvvuri Subbarao told *BT* in an interview in early May: "The finance ministry had set the targets in end-February and the oil prices situation was different then



VIVAN MEHRA/www.indiatodayimages.com

Figure it out: Finance Minister Mukherjee

from what it is today. Certainly, there is doubt about whether those fiscal targets can be met under the current price scenario unless some adjustments are done to administered prices."

Duvvuri Subbarao, *Governor, Reserve Bank of India*

"There is doubt about whether fiscal targets [set in the budget] can be met under the current price scenario"

A slippage in fiscal deficit will impact the management of inflation. "The fiscal deficit is one of the variables that affects demand and thereby inflation management," Subbarao had told *BT*. The RBI has been fighting inflation for over a year now, repeatedly raising interest rates, but without much success. Despite nine back-to-back rate hikes since early 2010, the rate of core inflation in April 2011 was eight per cent, which a Ministry of Finance statement said was "not the kind of inflation figure that Mukherjee is comfortable with".

"The Finance Minister said that there will be some impact on overall inflation due to the adjustment in the petrol prices effected by the oil marketing companies in the coming months," the statement added.

The RBI is not the only agency skeptical of Mukherjee's budget projections being on target.

"With the government's deficit target of 4.6 per cent of GDP for FY12 based on a 12.5 per cent decline in subsidies, we could see the deficit inch to 5.5 per cent due to higher food, fuel and fertiliser subsidies," Rohini Malkani, Economist, Citigroup India, said in a recent report.

Rohini Malkani, *Economist, Citigroup India*

"We could see the deficit inch to 5.5 per cent due to higher food, fuel and fertiliser subsidies"

The budget's fiscal correction hinges on the government spending rising less than four per cent over that in 2010/11. As noted earlier, the lower spending projection was not due to some fierce belt-tightening by the government, but based on assumptions that global petroleum product and fertiliser prices would not rise from the level at the time of drafting the budget. So, at a time when crude oil prices were hardening on the back of a political crisis sweeping West Asia, Mukherjee set the fuel subsidy bill for the current year 40 per cent lower than in the previous year.

Global prices are pushing up the fertiliser subsidy bill, as is food inflation. Fertiliser subsidies account for 45 per cent of India's total subsidy bill, and have risen from ₹13,200 crore in 1999/2000 to ₹50,000 crore in 2011/12. In 2010, the government reformed the subsidy regime for fertilisers but how much this will be able to ease the pressure on the fiscal deficit remains to be seen.

Despite the attempt at streamlining the fertiliser subsidy, Mukherjee, as the head of the Groups of Ministers overseeing most reforms that have a bearing on the fiscal deficit, has failed to evolve a consensus on the deregulation of diesel and the rationalisation of the food subsidy. Both these are inefficiently targeted and thus keep demand artificially high and strain the exchequer, fuelling inflation. The government has not announced a single policy measure directed at reducing the fiscal deficit.

Finance Secretary Sushma Nath had told *BT* on the evening Mukherjee presented the budget that the finance ministry was relying on the buoyancy in tax revenues to see the budget calculations through. But with rate cuts projected to slow down GDP growth and expected to be in force until inflation cools off, tax collections are expected to come under pressure too.

That the finance ministry might have been unrealistic in its approach to fiscal correction, thereby seriously hindering inflation management in the country, was hinted at by Prime Minister Manmohan Singh. Minutes after Mukherjee's speech ended in Parliament, Singh said in an interview on state-run television channel, Doordarshan "...We cannot be too certain that ...the arithmetic will work the way we want it to work. We must have ample scope to contribute to fiscal consolidation." Question is: why has the Ministry of Finance not acted on Singh's advice? ◆

Hot New Destination

Leading companies are lining up to enter Bihar, a state they once shunned. By ANAND ADHIKARI

Balram Singh Yadav, 46, the Mumbai-based Managing Director of Godrej Agrovet, has toured Bihar on business six times in the last seven years. Each time he visits, he finds the overall atmosphere has improved over the last time.

On his early visits, the road from Patna airport to his hotel used to be potholed and dusty. He never dared venture out of his hotel in the evenings for fear of being mugged.

That is all history now. "A fruit seller can stay on the street till as late as 10 p.m. if he wants to," he says, describing the new Bihar. "Rickshaws freely ply late into the night."

Not surprisingly he is keen his company take advantage of the transformation. Godrej Agrovet is setting up a ₹70-crore cattle and poultry feed mill at Hajipur, across the Ganga river from Patna.

"Bihar will emerge as the next growth engine for eastern India."

he says.

Hajipur, too, is the destination of biscuit major Britannia, which is setting up a 50,000-tonne bakery there. "Bihar represents a large and growing market opportunity and therefore we decided to create a manufacturing unit closer to the market," says a company spokesman, declining to give any more details.

Ruchi Soya, the Mumbai based $2.6 billion (₹11,700 crore) FMCG group, best known for its edible oils, is pumping ₹200 crore into setting up agro-processing centres at Kaimur, 170 km northwest of Patna, near the Uttar Pradesh border. West Coast Paper, promoted by Shree Digvijay Cement Company and later taken over by SK Bangur Group, has plans for a board unit at Rohtas, 140 km southeast of Patna, while infrastructure giant Jaypee Associates is working towards a fly ash-based cement factory at Motipur, part of Muzaffarpur district.

Bihar, home to 104 million people, according to provisional estimates in the 2011 census and ranked third by population behind Uttar Pradesh and Maharashtra, was always a draw for industry, but until the Nitish Kumar-led government took charge in November 2005, the abysmal law and order situation and poor infrastructure kept investors away. But now, with both policing and connectivity having improved dramatically, industry sees no reason to be diffident.

"Over 40 per cent of the country's population resides in the east and the north-eastern region," points out Dinesh Shahra, Managing Director of the Ruchi Soya Group. "Bihar provides a huge opportunity for upgrading consumers from loose and poor quality oil to packaged refined edible oil."

And consumption is rising rapidly. The state's gross domestic product has been rising by more than 10 per cent annually for the last five years, compared to an average of 3.5 per cent per year between 2000 and 2004, when the Rabri Devi-led Rashtriya Janata Dal government was in power.

Manufacturing and services have both shown substantial increases: the contribution of manufacturing to the state's income has increased from 10.5 per cent in 1999/2000 to 16.61 per cent a decade later, while that of services has gone up from 50.50 per cent to 61.65 per cent in the same period. Agriculture's share may have consequently declined; even so agricultural growth in 2009/10 was 8.85 per cent.

In a reflection of the frenzied construction activity in the state, Bihar is now the fastest growing cement market in the country – 28 per cent growth in the past year against a national average of nine per cent. With better roads and little fear of attracting the attention of car thieves or kidnappers, people are buying cars: leading auto maker Maruti Suzuki reported a 30 per cent rise in sales in Bihar between April and December 2010.

Government figures show that the number of vehicles in the state has grown four times, from around 80,000 in 2005/06 to 3.19 lakh in 2009/10. Many more people are visiting the state, as revealed by the amount of aircraft movement: in 2004/05, a total of 3,814 aircraft landed or took off from the state's airports; five years later the figure was 10,726.

GODREJ GROUP

$2.7 billion

Interests in consumer goods to real estate

Setting up plant to produce cattle and poultry feed at Hajipur

BRITANNIA

$1 billion

Part of the Wadia Group with interests in biscuits, textiles and aviation

Setting up bakery facility at Hajipur

ADANI GROUP

$5.6 billion

Trading and infrastructure group

Considering setting up power, mining and agro-based industries

RUCHI SOYA

$2.6 billion

FMCG player

Developing agro processing centres with thrust on soyabean and palm plantations

WEST COAST PAPER

$375 million

Part of the SKB Group with interests in paper, power, telecom cables, tea and chemicals

Setting up a duplex board unit at Rohtas

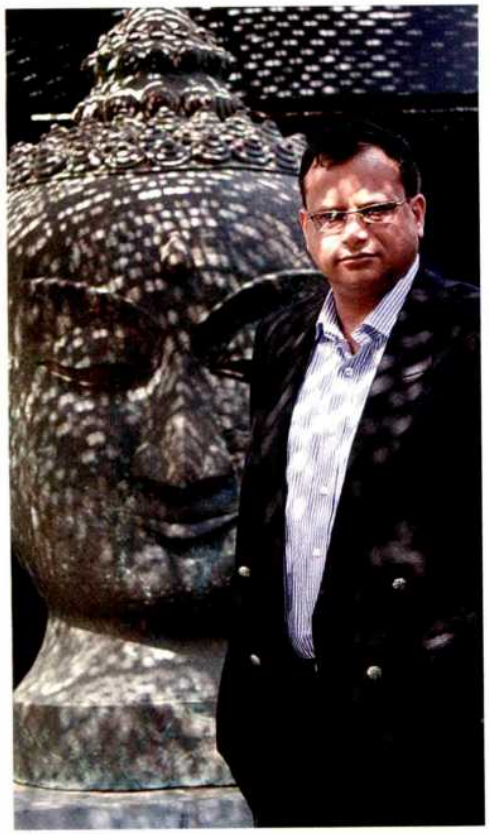
JAIPRAKASH ASSOCIATES

$650 million

Major player in construction, power and cement

Setting up a fly ash-based cement plant at Motipur

Source: Bihar Government



NISHIKANT GAMRE/www.indiatodayimages.com

"Bihar will emerge as the next growth engine for eastern India"

BALRAM SINGH YADAV Managing Director, Godrej Agrovet

Telephone connections – landlines and mobiles taken together – have risen 10-fold in five years, from 4.2 million in 2005/06 to 41.5 million until March this year. With growing incomes, people are buying more: FMCG major Samsung's sales grew by 25 to 30 per cent between April and December last year.

No doubt problems remain, land availability being primary among them. Godrej Agrovet needs just 10 acres to set up its 84,000-tonne facility, but it has not got it yet. "I'm yet to hear any positive news," says Yadav.

"Industry needs faster acquisition of land for developing new, modern industrial parks," says an industrialist who is scouting for a suitable site in the state. "They should provide land where industry wants to go. The industrial agenda should precede the political agenda."

Unable to secure land, the state cabinet in January approved new rules relating to the conversion of agricultural land into non-agricultural, which effectively absolves the government of responsibility in getting land for industry. These rules leave buyers free to purchase agricultural and other land directly from farmers at market rates and use it for industrial purposes, after paying a conversion fee. But the decision is unlikely to set industry rejoicing, since it is looking for land not just anywhere, but in places where the infrastructure it needs is already available or can be easily set up. In particular, it is eyeing the old industrial estates around some towns in Tirhut division such as Hajipur and Muzaffarpur as well as Bhagalpur and Gaya, where it is still the government that controls the limited land available. "The government has to take the initiative," says Yadav.

Other major stumbling blocks are the lack of reliable power supply, the frequent occurrence of floods and droughts and the absence of skilled manpower (see *Hurdles*).

Bihar is a power deficient state with a total generating capacity of less than 600 MW against a peak demand of 3,000 MW. "We haven't seen big projects rolling out," says a CEO unwilling to be named.

But the state machinery says power projects have a long gestation period. In April, the state cabinet gave its nod to a 1,320 MW coal-based power plant to be built at a cost of ₹7,280 crore by the Kolkata-based India Power Corporation. "There are many more projects in the pipeline," assures Sushil Kumar Modi, Bihar's Deputy Chief Minister.

Gautam Adani, Chairman of the $5.6 billion (₹25,000 crore) Adani Group, is also looking out for opportunities in the power sector. "We could look at power, mining and agro-based industries in Bihar," says Adani.

Currently, the majority of industrial projects headed for Bihar are agro-based. But the state has the geographical advantage of two mineral rich neighbours, Jharkhand and Orissa, which makes it an ideal location for power, cement and other non-agro industries as well.

Overall, industrialists remain hopeful, being particularly impressed by the attitude of the bureaucracy. "We found bureaucrats very accommodating, cooperative and determined to bring development to the state," says Shahra of Ruchi Soya.

If Bihar can overcome the land and power bottlenecks, the entry of Indian business houses will only accelerate in future. ◆

HURDLES

- Bihar is **power deficient** with generation capacity of 600 MW against a peak demand of 3,000 MW
- **Floods and droughts** are common in the state
- State **financials are not too good** for developing infrastructure in a short period
- **Land is a big issue.** Farmers are not ready to give up their land
- **Skills shortage** is a major problem

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GETTING THE

Mamata Banerjee has achieved her goal of demolishing the Left in

KAPIL

Becharam Manna gives up on his nap. He is being repeatedly disturbed by congratulatory telephone calls. It is the day after his party, the All India Trinamool Congress or TMC, swept to power in West Bengal ending the Left Front's 34-year reign. Manna, who spearheaded the battle of Singur's farmers to get back the land the government acquired from them for the Tata Motors' Nano plant in 2006, has just won the Haripal seat in Hooghly district – a stronghold of the Communist Party of India (Marxist), or CPI(M), since 1967 – by a margin of 22,073 votes.

Manna fields another call, this one from a TMC leader worried about the arrest of a party worker. Manna tells the caller the arrest is justified: the worker had hit the bottle and attacked the local CPI(M) office. "Overnight everyone has become a Trinamool

VISION GOING

Bengal. Now comes the tough part. By SUNNY SEN and SOMNATH DASGUPTA

supporter, and the situation is difficult to control," he says, referring to Left cadres who have been switching sides. TMC chief Mamata Banerjee had ordered her party workers to refrain from victory marches, celebrations and "*badla*" or taking of revenge, after the elections produced a stunning result: her party alone secured 184 of the 294 seats in the state assembly. The Congress, her ally, got 42. And the CPI(M), leader of the Left Front, scraped through with just 39 seats.

Singur was the launchpad for Banerjee's meteoric rise to power. Manna, Banerjee's point man in Singur, has just one goal for now: ensuring that the farmers who refused to accept payment for about 400 acres are restored ownership of the land. Only then can he begin thinking of industry. The incomplete and abandoned Nano factory nearby, occupying a 1,000-acre plot, is a symbol of all that went wrong, and the hurdles ahead.

Banerjee's biggest challenge will be acquiring land for industry, given her role in fighting against land acquisition from farmers at Singur and later Nandigram. As Gautam Deb, a veteran CPI(M) leader and former housing minister, tells *BT*, the people have put the Left in the Opposition and so the Left will watch the government's actions keenly. "Mamata should respect the verdict and perform," Deb said. "The main slogan of Trinamool was *Ma-Mati-Manush* (Mother, Earth, People). Industry was on the agenda but not a focus."

Deb has a point. The TMC's manifesto and 200-day action plan read like a mishmash of Planning Commission dreams. Sample these: "Enhance the ease of doing business for micro, small and medium enterprises (MSMEs) by radically cutting back obstructive rules, regulations and permissions.... set up an industrial hub in each district...."

West Bengal was once a hub of manufacturing, but Left trade unionism prompted many players to shift base to other states over the first two decades of Left Front rule, and scared away prospective investors. Amit Mitra, who is now one of Banerjee's key lieutenants as the legislator from Khardah in North 24 Parganas district – points out that before the Left Front came to power in 1977, West Bengal had a 13 per cent share of India's manufacturing. The share has since shrunk to a low single digit.

Mitra, a complete outsider in the state's politics who defeated CPI(M) stalwart and finance minister Asim Dasgupta, recalls how, as a child, he used to marvel at the industrial buzz in Howrah on trips there with his grandfather, Suresh Chandra Bose, the elder brother of Netaji Subhas Chandra Bose. "Now there is nothing there. Only some forging work is being done," says Mitra, former secretary general of industry lobby Ficci.

Can the new government bring back industry, tackle trade unionism

MAMOTHA TASK

- No 1 in per capita debt. Total debt close to ₹200,000 crore
- No anchor project in manufacturing after Nano's exit
- Lags rivals Karnataka and Andhra Pradesh in IT exports
- Agricultural growth down from 17 to 7 per cent
- 9th among 17 major states in per capita income
- Per capita Income has fallen from close to national average in 1980/81
- Economy growth rate trebled in 1990s and 2000s, but share in India's GDP fell

and revive agriculture? Abhirup Sarkar, a professor of economics at the Indian Statistical Institute, says, quoting official sources, that the state accounted for more than 87 per cent of the mandays lost in India due to strikes and lockouts in 2007/08. "Mandays lost due to bandhs will have to be drastically reduced to bring back revenues," he says.

He suggests three other action areas. One, improve the infrastructure (only 23 per cent of roads in the state are *pucca* at present, against the national average of 55 per cent). Two, disperse industrialisation across the state with proper planning, as against the Kolkata-centric model propagated so far. Three, improve tax administration.

In her manifesto, Banerjee has promised to revive the agricultural economy. According to the party, the agricultural sector was growing at 17 per cent a year before the Left came to power in 1977. After 34 years of Left Front rule, the rate is down to seven per cent.

Sanjiv Goenka, vice chairman of the ₹17,000-crore RPG Enterprises, and younger son of group founder Rama Prasad Goenka, seems ready to swear by Banerjee after interacting with her over the past few months. "She has inspired confidence," he says. The RPG group's businesses include power generation and supply, retail, music and entertainment, carbon black and tyres. It also includes CESC, which supplies power to Kolkata and some adjoining areas, and which was once a favourite target of Banerjee's, drawing her ire over tariff hikes.

Banerjee's election plank and her 200-day plan, Goenka says, are "doable". Broadly, what the state needs are better roads and a lower tax on aviation fuel to attract more airlines. With the TMC being part of the alliance at the Centre, the state government will be in a position to influence the Union government's actions, unlike the Left Front governments which, except for brief periods has always been at odds with the Centre.

"The opportunity in Bengal exists... infrastructure needs beefing up, but the confidence of people outside the state is lacking," says Goenka. He says investment is a matter of confidence, infrastructure and opportunity. He is investing around ₹10,000 crore in a power project in Haldia.

Green March: Trinamool supporters celebrate their victory in Kolkata

The aerotropolis, or an airport-centric city, in Burdwan district, is one of the few large infrastructure projects of Left rule to have survived controversies over land acquisition. The promoters, Bengal Aerotropolis Projects Ltd, or BAPL, have acquired 1,800 acres of the 2,300 acres required and expect the airport to be functional by 2012. The total investment expected is ₹10,000 crore.

The TMC manifesto says completion of the project is one of its goals. Subrata Paul, CEO and Director of BAPL, says that with the change in the government people will expect faster development. "Roads and connectivity becomes a driver of economic growth... . However, we will require some anchor investments."

The high sales tax levied on aviation turbine fuel by the state is also a worry. The resource-starved Left Front government had imposed a 25 per cent tax on aviation fuel, which deters airlines from refuelling in the state. "We will request the state government to follow the Maharashtra pattern in West Bengal too," says Paul. Maharashtra levies 25 per cent tax only in Mumbai and Pune; at other airports in the state the rate is four per cent. So too the new government could be asked to spare airports other than the one at Kolkata, including the proposed aerotropolis.

Not all industrialists in the state are willing to come out in open support of the new government. But, as a *BT* poll carried out by *C fore* shows (See *Page 60*), an overwhelming majority is happy with the change and bullish on the TMC's prospects.

Call it avoiding wasteful spending, or an aversion to change or *paribartan*: the fading world map at the CPI(M) state unit headquarters still shows the Soviet Union. The Trinamool rode to victory on its cry

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for *paribartan*. The Left Front did try to change things, but they were too late and often in the wrong directions. In the past decade, the only exciting sector has been information technology or, IT, and IT-enabled services. When Buddhadeb Bhattacharjee began his second term as chief minister in 2006, the IT hub in Salt Lake's SectorV was bursting at the seams, and the state was trying to market the much-delayed Rajarhat New Town project further north.

But IT majors such as Infosys and Wipro were put off by high real estate rates quoted by the government agency developing the township and came in only after much haggling. Earlier this year Cognizant Technology Solutions built a new campus along the city's eastern fringe. West Bengal's software services revenues have gone up from ₹4,000 crore in 2007/08 to ₹6,500 crore in 2009/10, but its share in India's total revenue from software is just 2.69 per cent, according to the Electronic & Computer Software Export Promotion Council.

At the policy level, the government paid scant heed to start-ups and local companies as it rushed to woo national heavyweights, says S. Radhakrishnan, a former president of the Bengal Chamber of Commerce and Industry. "It did nothing to encourage local entrepreneurs. It was more worried about whether a Wipro or an Infosys would come," says Radhakrishnan, who is also the Managing Director of Descon Software. A section of the CPI(M), however, even questioned Bhattacharjee's rationale of exempting the IT sector from strikes, and its labour wing tried unsuccessfully to unionise the techies.

Cognizant Technology Solutions, a company with its India headquarters in Chennai and which started operation in Kolkata in 1996, has five facilities and 9,500 professionals operating in the state. The firm's senior officials feel Kolkata is a significant destination because of the academic institutions here and the low operational expenses.

Still, the state has a long way to go in catching up with places like Bangalore and Hyderabad. It has fewer major IT players. "The state government needs to bring in some major investments to keep the growth curve moving up," says R. Chandrasekaran, President and Managing Director, Global Delivery at Cognizant.

For Banerjee, it is going to be a battle against time and her own record as the stormy petrel of Bengal politics ready to use any opportunity to trouble the Left Front government. Her lieutenants, though, think she has vision and is unmatched in her understanding of economic policies for the people, even though she is not an economist. Mitra says: "I feel industrial growth will not be incremental. It will be geometric." ◆

Boost for Tax Reform

RACHIT GOSWAMI

Sushil Kumar Modi, Bihar's finance minister, may head the empowered committee on GST

With the Left Front government's finance minister Asim Dasgupta losing his Khardah assembly seat to the TMC's Amit Mitra, corporate India's most-awaited reform, the Goods & Services Tax or GST, is likely to get a shot in the arm. Dasgupta had been passionate about GST and its predecessor, the value-added tax, or VAT. (He had been chairman of the empowered committee of state finance ministers on VAT as well.) But his progress with GST slowed down after rival politician from West Bengal, Pranab Mukherjee, was appointed the Union Finance Minister.

Mukherjee took little interest in pushing GST, an approach most members of the committee attribute to his unwillingness to work alongside Dasgupta. Mukherjee's uncharacteristic lack of skill in dealing with the GST converted an issue of economic policy to a political one, and one state after another ruled by the Bharatiya Janata Party led National Democratic Alliance – which was the first mover of the tax reform while at the Centre in 2004 – began blocking it.

Early indications are that the UPA wants Bihar's Deputy Chief Minister Sushil Modi, a BJP leader, to replace Dasgupta as the chairman of the committee. Not only will Modi's negotiation skills and recent experience of implementing tax reforms in a tricky state like Bihar come in handy, the NDA-ruled states will find it difficult to resist the introduction of the GST.

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"Debt Can be Turned Around"

What prompted **AMIT MITRA** *to quit the secretary general's post at the Federation of Indian Chambers of Commerce and Industry, or Ficci, to jump into the hurly-burly of state politics? And that too on the side of Mamata Banerjee, a political leader not associated in the public mind with vision?* **BT'S SUNNY SEN** *and* **SOMNATH DASGUPTA** *caught up with Mitra a day after he felled CPI(M)'s Asim Dasgupta, who was West Bengal's finance minister, in the state assembly polls. Mitra talks of the Communists' failure in the state and the road ahead. Edited excerpts:*

West Bengal has a debt of ₹2 lakh crore. Do you already feel like running away?

The debt can be turned around. Mamata Banerjee will sit across the table with the prime minister and the finance minister, with an appropriate milestone and plan structure. Please understand that the CPI(M) never submitted a milestone based vision document for the health of the state finance. I don't know why it didn't.

You are tipped to become the finance minister...

I did not come here giving up everything I had in Delhi to become a minister. I was involved with at least 15 ministries... I have come to Bengal just as my wife and I once left the United States in 1990 [to come to India] without a job. That was a typical rash decision... Because we have worked with Mamata Banerjee for one and a half years, I knew that her courage, her fortitude, her integrity, her connect with the common people was going to result in a tectonic shift.

How will you use your contacts to improve Bengal?

First, we have to be pragmatic and understand that industry does not come because of contacts. They put their money where their mouth is, which means they need returns. Mamata Banerjee is ideologically very clear that trade unions are important for democracy. Building factories that provide jobs is also important. But Mamata will not spare any company doing illegal things.

What is the way forward: manufacturing or agriculture?

Manufacturing in the state occupied about 13 per cent of India's total manufacturing revenues from 1965 to 1975. That has systematically come down to about seven per cent or less than that – some very small single digit number. Why? About 58,000 factories have closed down in West Bengal, according to the state's own statistics. Most of them were manufacturing units. Agriculture in West Bengal was growing at 17 per cent a year before the Left Front came to power. That has fallen to seven per cent. One crore people are unemployed.

SAPTARISHI BISWAS

> Trade unions are important... but building factories that provide jobs is also crucial

When will we see the Trinamool begin to act?

I worked with Mamata Banerjee in the railway ministry... She came to every meeting five minutes early, unlike many politicians in this country. She literally goes to yesterday, "Why wasn't this done yesterday?" So her approaches deliver. So when she did this vision document, one thing she asked everybody she consulted was – My first 200 days. And that's how she put the 200-day agenda.

Full transcript of the interview at www.businesstoday.in/amitra

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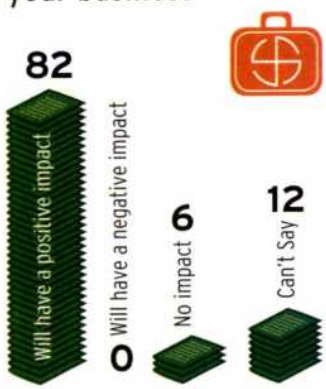
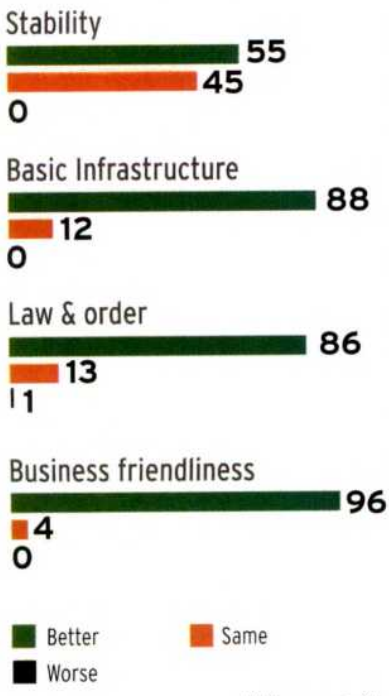
GREAT EXPECTATIONS

The mood among West Bengal's businessmen and executives after Mamata Banerjee's sweeping victory in the assembly polls

How will the election outcome affect your business



Will the new government be better or worse than the previous government in the following areas



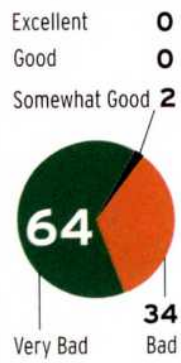
(All figures are in %)

GRAPHIC BY SANTOSH KUSHWAHA

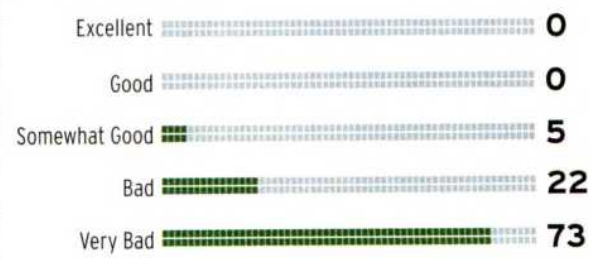
How do you rate the previous government on

Creation of new economic opportunities

Tax policies



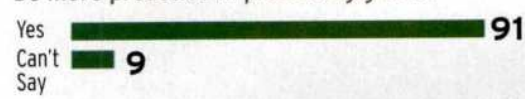
Provisions of basic infrastructure to help businesses grow



Attitude of the administration toward business

Do you think the new government will

Be more proactive in promoting growth



Revive stalled infrastructure projects

Encourage industries such as IT and BPO

(All figures are in %)

Methodology

C fore (Centre for Forecasting & Research) sought responses from 300 business heads and senior executives of medium and small enterprises in West Bengal. The survey was conducted in the cities of Kolkata, Haldia, Hooghly and Howrah between May 14 and 16.

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RUNNING O!

Enormous challenges await **Jayalalithaa** in her third stint as chief

Residents of Thandikudi, a village 42 km east of Kodaikanal, nestled deep in the Western Ghats, erupted with joy as they watched the poll results on their TV sets announcing the rout of the ruling Dravida Munnetra Kazhagam, or DMK. They had all voted against the DMK.

Five years ago they were far less politically aware. But the free TV sets distributed among them by the DMK government, as part of its 2006 election promise, had ironically served to keep them very well informed about the 2G spectrum scam and the DMK's role in it. "Such corruption is unbearable. They had to go," says P. Muthu Kumar, a local farmer. Earlier, the villagers' only sources of information had been a state-run radio station and a few copies of a vernacular daily.

Free TV sets were only one of the many freebies doled out by the outgoing government. It also provided rice at ₹1 per kg, other subsidised food items, a free gas stove per family with an LPG connection, free clothes for festivals, free health insurance and a grant of ₹75,000 to convert mud houses to *pucca* houses. These sops were meant to ensure DMK's re-election, which

KAPIL

EMPTY

minister. By N. MADHAVAN and K.R. BALASUBRAMANYAM

they have not. But what they ensured is near-empty state coffers for J. Jayalalithaa's AIADMK government.

Once an economic power house, Tamil Nadu's growth declined during the DMK rule from 20.66 per cent in 2006/07 to 11.76 per cent in 2010/11. A revenue surplus of ₹4,545 crore in 2007/08 has been transformed into a revenue deficit of ₹3,129 crore in 2010/11, while public debt has risen from ₹57,610 crore in 2005/06 to cross ₹1 trillion (1 trillion = 100,000 crore) today. Worse, the welfare measures, coupled with the Mahatma Gandhi National Rural Employment Guarantee Scheme, have reduced the need for unskilled and semi-skilled workers to hunt for jobs, resulting in a serious labour shortage, especially in the villages. "Agriculture here is in a state of crisis," says M.R. Sivaraman, former Union revenue secretary. (See *Inheriting a Crisis*)

The power situation, too, is precarious. From being power surplus state until three years ago, Tamil Nadu now holds the dubious distinction of the state with the maximum amount of load shedding in the country. Latest data from the Central Electricity Authority shows the state shed 2,414 MW of peak-hour load in March 2011 – the highest in the country.

Not surprisingly, industries are scaling down. V-Guard Industries, which has a plant at Coimbatore with a capacity to manufacture 125,000 coils of wire per month, has scaled down production to 35,000 coils due to daily load shedding. "All our rivals have their plants in places where they get good power supply. We will think twice about new investments here," says Mithun Chittilappilly, Executive Director.

Will Jayalalithaa bring change in her third term as chief minister? Her party too promised a fresh lot of freebies, fulfilling which will further deplete the state's finances. The ability to raise further revenues is limited as the state is already heavily taxed. The Tamil Nadu State Electricity Board is bankrupt and has not paid any of the renewable energy producers for the last six months. The state is also heavily dependent on liquor revenues (₹14,033 crore in 2010/11) and the rising per capita alcohol consumption is affecting labour efficiency. But her record stands Jayalalithaa in good stead. The last time she was in power, she inherited a revenue deficit of ₹2,739 crore (in 2001/02). In 2005/06, before she was voted out, the state had a revenue surplus of ₹1,951 crore. ◆

We will think twice about new investments in Tamil Nadu. Our rivals have plants in places, where they get cheap power supply

Mithun Chittilappilly, Executive Director, V-Guard Industries

STATE OF DISTRESS

- Fiscal deficit will be ₹13,507 crore in 2011/12
- Economic growth has slumped almost by half
- Massive subsidies have left the exchequer deep in debt
- Public debt set to cross ₹1 lakh crore in 2011/12
- Crippling power shortage
- Shortage of labour
- Rising liquor sales/consumption hitting productivity
- Many industries have stopped expanding

JAYALALITHAA'S PROMISED FREEBIES

- Free fans, mixers and grinders
- Free laptops for all students from 11th standard
- ₹25,000 and four grams of gold as marriage assistance
- Free houses to 300,000 BPL families
- Six months of maternity leave plus ₹12,000 aid
- Free bus passes for all senior citizens
- 20 litres of potable water per day to BPL families

Inheriting a Crisis

The interim budget of Tamil Nadu for the year 2011/12 shows a marginal revenue surplus of ₹439 crore as stated by the state finance minister in his budget speech. It is not an exaggeration to say that a budget can hide many things. The revenue receipts might have been projected at a higher than normal growth, as some taxes are expected to grow more than 25 per cent, and on the other hand, revenue expenditure might have been underestimated.

The revenue expenditure is expected to grow at 4.45 per cent during 2011/12. This is an underestimate unless the government drastically cuts down on other revenue expenditure. The salary bill of Tamil Nadu is estimated at 49 per cent of the total revenue expenditure, which will grow by at least six to eight per cent if both annual increments and periodical dearness allowance releases are taken into account. This would mean hardly any growth in the rest of the revenue expenditure.

As per newspaper reports, the Tamil Nadu Electricity Board is in a state of financial collapse. What the true state of its finances is, and how much the government owes it by way of subsidy is not known. This is one area with which the new chief minister should engage very urgently, as the power supply in Tamil Nadu is deteriorating fast and industries may suffer, affecting employment and new investments.

Jayalalithaa has to examine how much of the receipts under special programmes received from the Centre has been used, misused or not used at all in order to safeguard herself

Chief Minister J. Jayalalithaa has to examine how much of the receipts under special programmes received from the government of India has been used, misused or not used at all in order to safeguard herself. It is more than likely that the Centre will encourage an audit, which will give it and have an excuse to withhold grants to Tamil Nadu just to needle her government. The expenditure commitments of the previous government on freebies and other contracts which have not been discharged will require attention.

Jayalalithaa has also been very generous in her freebie announcements, the cost of which have to be urgently worked out and weighed against the development expenditure immediately required in the areas of power generation, agriculture, education and health.

Chennai and other cities have started looking like slums compared to some cities in Gujarat or even Karnataka. Past governments in Tamil Nadu, including hers, have totally neglected the waterways in Chennai, which could, if developed, reduce congestion on the roads by 50 per cent. The Jawaharlal Nehru National Urban Renewal Mission could be fruitfully used for this purpose. The annual expenditure on repairing monsoon damaged roads in Chennai and other cities could be saved if a well thought out project for concreting all city roads could be prepared for execution in a time-bound manner.

Whatever the Tamil Nadu government may say, agriculture is in a state of crisis. Very productive lands are being abandoned or converted for non-agricultural use. Programmes and projects suffer as farmers are unable to find labour. The author has seen people under the Mahatma Gandhi National Rural Employment Guarantee Scheme lounging by the roadside near Chinnambedu, close to Chennai, ostensibly doing "productive" work, while farmers complained to him that they were not getting labourers for the SRI (or system of rice intensification) cultivation of paddy expected to increase yields by 40 per cent.

All these and many more areas require priority attention if Tamil Nadu has to improve its growth rate. ◆

The author is a former revenue secretary, and former executive director at the International Monetary Fund

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NO JOBS AT HOME

The new government must attract private investment and make Kerala less dependent on foreign remittances. By K.R. BALASUBRAMANYAM

"In 10 years, Kerala will be left with only senior citizens and children if people do not change their attitude towards investment."

The remark, made by CPI(M) Industries Minister Elamaram Kareem in May last year after a series of setbacks to his initiatives to draw private capital into the state, sums up Kerala's poor investment climate. Kareem estimated that the state lost 300,000 potential jobs by the controversies that followed almost every attempt he made to encourage investment.

The biggest challenge faced by the new United Democratic Front, or UDF, government, which won the recent assembly elections by a whisker, will be to give the state an investor-friendly face.

After all these years, Kerala still does not have a single manufacturing leviathan in the private sector. Whatever recent investments have taken place or are expected, are all in the public sector.

Even small scale industries are languishing. "The resurgence of economic activity will follow only if there is political will to encourage small scale entrepreneurial activity in a big way," says Debashis Chatterjee, Director, Indian Institute of Management, Kozhikode. "The new leadership will have to take the state out of the stereotype of a 'command and control' economy."

In agriculture too, productivity requires serious fixing, as the area under food crops has been shrinking, while that under cash crops is rising.

C. SHANKAR

United in Victory: UDF supporters celebrate after the election results are declared in Kochi

If there are any new jobs being created in the state, it is only in the services sector. Per capita consumption in Kerala is robust, the highest among Indian states, thanks to the two million-plus Malayalees working overseas whose remittances make up close to a fifth of Kerala's income. "Kerala's growth rate in recent years has been good, but it has not resulted in new employment opportunities for people," notes Prof P.K. Michael Tharakan, Vice Chancellor of Kannur University. The state had had a growth of 8.1 per cent in 2005-10 period, points out McKinsey, but there is a risky dependency on foreign remittances.

To bring in investments, infrastructure will have to be considerably improved. The new regime must pay close attention to the state's roads. Road density in Kerala is higher than the national average, but roads are of poor quality. The number of vehicles is increasing, but the growth in road network has not kept pace.

Power capacities too must be increased if the new government is serious about encouraging industries. The peak demand Kerala met in March was a measly 3103 MW, less than a third of the peak demand met in the neighbouring Tamil Nadu.

One big advantage the new government will have over its predecessor is that it is led by the Congress, the ruling party at the Centre. Kerala can hope to extract more than its deserved pound of flesh from the Centre in the months to come. ◆

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Soap Opera

How **Nitin Paranjpe** and **Harish Manwani** forced change at a bruised Hindustan Unilever and got its mojo back.

By SUMAN LAYAK and ANUSHA SUBRAMANIAN

I wanna know you inside out, tell me everything...
– Bryan Adams, *Inside Out*

While Bryan Adams might succeed in getting his fans to tell all, Nitin Paranjpe, Managing Director of Hindustan Unilever, decided to turn his company inside out with one aim — to get into the consumer's mind. So, in 2010, about two years after he took over the top job in April 2008, he made HUL accountants, production and human resources people go out and meet consumers in villages across India. Just as he did himself – and there was learning.

At a village home in Tamil Nadu, Paranjpe found a sachet of Comfort fabric conditioner and thought something was amiss. "I was worried. I thought the poor lady must have mistaken it to be a shampoo sachet and bought this brand wanting to use it on her hair," says Paranjpe. "So, I asked her: what is this, what do you use it for? She looked at me as if I was a strange guy and said, 'For clothes'."

The findings coming from elsewhere on the ground were as surprising, if not startling. Girls in an Uttar Pradesh village, about 100 km from Lucknow, knew the use of face wash. Gopal Vittal, the company's Executive Director for home and personal care, says he was pleasantly taken aback when he conversed with young schoolgirls in remote Bihar villages in English.

This was Mission Bushfire at HUL in 2010. And, to get a feel of the company's recent success – five quarters of volume growth after nearly a decade it would rather forget – *Business Today* travelled to villages near Pune. The Bhegdewadi hamlet, 30 km from the industrial city of Pune, is perhaps as far removed from the plush, steel and glass HUL headquarters in Andheri, a Mumbai suburb, as can be.

Village women frequent the modest home of Vandana Bhegde – a member of Project Shakti, an HUL programme of leveraging self-help groups to enhance hyperlocal distribution – to buy the company's products. One of the visitors, Renuka, wants to buy Dove soap, a product HUL positions as a premium, upmarket brand, and Domex floor cleaner. At a *kirana* store in the nearby Ghotawade bazaar, Knorr Soupy noodles sell out the fastest.

All this is good news for a company coming out of a rough patch. HUL has spent the past decade struggling with incremental growth, and the stock

ILLUSTRATIONS BY SANTOSH

Hindustan (Uni) Lever over a decade

2000: Growth mantras: HLL stock is split 1:10. K.B. Dadiseth announces nine growth engines. HLL to connect all distributors; engage with women self-help groups.

Dadiseth hands over the chairmanship baton to M.S. (Vindi) Banga in May 2000.

2001: Flavour is in foods: Banga announces Food Revolution: a plan that he claimed would reduce food prices, increase consumption and bring more money for the farmers. International Best Foods (Knorr brand) merges into HLL. Starts JV with ICI called Quest on flavours and fragrances. Decides to reward shareholders with bonus debenture scheme. Announces focus on 30 power brands.

2002: Hungry for more: HLL starts seeds joint venture. Acquires Modern Foods through disinvestment. Ayush is launched.

2003: On a diet?: Hind Lever Chemicals merges into Tata Chemicals. Edible oils and fats business transferred to Bunge. Glucovita is sold to Wipro. A Modern Foods factory is closed.

2004: Shakeout: Banga moves to Unilever home and personal care head for Asia. He remains non-executive chairman, but HLL opts for diffused leadership in India. Home & personal care and foods have separate leaders. HLL sells its mushroom business.

has been mostly listless. (See *Flatliner.*) It had a good year in 2008, and then in 2009 it got caught in the vortex of a global slowdown. The darling of the bourses as well management students in the nineties had turned a pariah. This was a period when HUL lost out as it was not leading the sector, says Paranjpe. (See *We Were Leaders But We Were Not Leading* on page 78.)

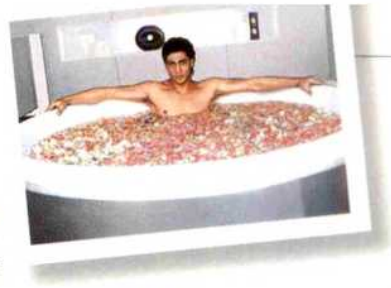
Kotak Institutional Equities's Manoj Menon, an analyst who spent the first four years of his career at HUL in corporate finance and then at a Himachal Pradesh factory, delves into basic economic theory to explain how HUL was overtaken by nimble rivals. "Historically, the company was too margin-focused. It kept losing market share and allowed companies like Godrej Consumer Products, Reckitt & Benckiser and Wipro to grab market share," he says. "With the loss of market share, HUL also lost some bargaining power." While Godrej No. 1 is the top selling soap by volume in northern states, Wipro's Santoor leads in the southern states.

The Indian arm of Unilever, among the most aggressive global consumer companies when it comes to emerging markets, seems to have shed its margin obsession now. In fact, over the past five quarters, the company has successfully driven its volume sales up at the cost of profit margins, or the ratio of profit to revenues. Today, Hemant Bakshi, the company's Executive Director for sales and distribution, says the company will not cede any space to competition even if it means cutting prices and allowing a higher share of margin to retailers.

With good reason. Harish Manwani, Chairman and also President for Asia, Africa and east and central Europe for Unilever, says the Anglo-Dutch parent wants 70 per cent of its revenues to come from emerging markets, against 53 per cent now. From 17 emerging market countries on its radar, India and Brazil are the two larger ones in focus for Unilever.

Redlines to Greenlines

How radical is the shift or change at HUL? Sample this: at Satara in Maharashtra and Mysore in Karnataka, HUL is doing a pilot with its Shakti self-help groups on financial inclusion. The Shakti group members can open an account in the State Bank of India "faster than they do at an SBI branch in Mumbai", says Bakshi. *Shakti Amma*, as female Shakti entrepreneurs are called, does this with a machine that uses biometric identification. Soon the company



2005: New face: Harish Manwani takes over as non-executive chairman of HLL from Banga. Tea estates sold and transferred to subsidiaries. Starts review of power brands strategy.

2007: Parent's name is middlename : Company changes its name to Hindustan Unilever Ltd. Completes 75 years in India. Announces share buyback at ₹230 a share. Shah Rukh Khan models for Lux.

2008: Demand dips: Nitin Paranjpe takes over from Baille. HUL sees consumer demand slip, says a question mark over future demand.

2006: Expat in charge: Doug Baille is brought in as CEO of the company to unify leadership again. HLL sells Nihar to Marico.

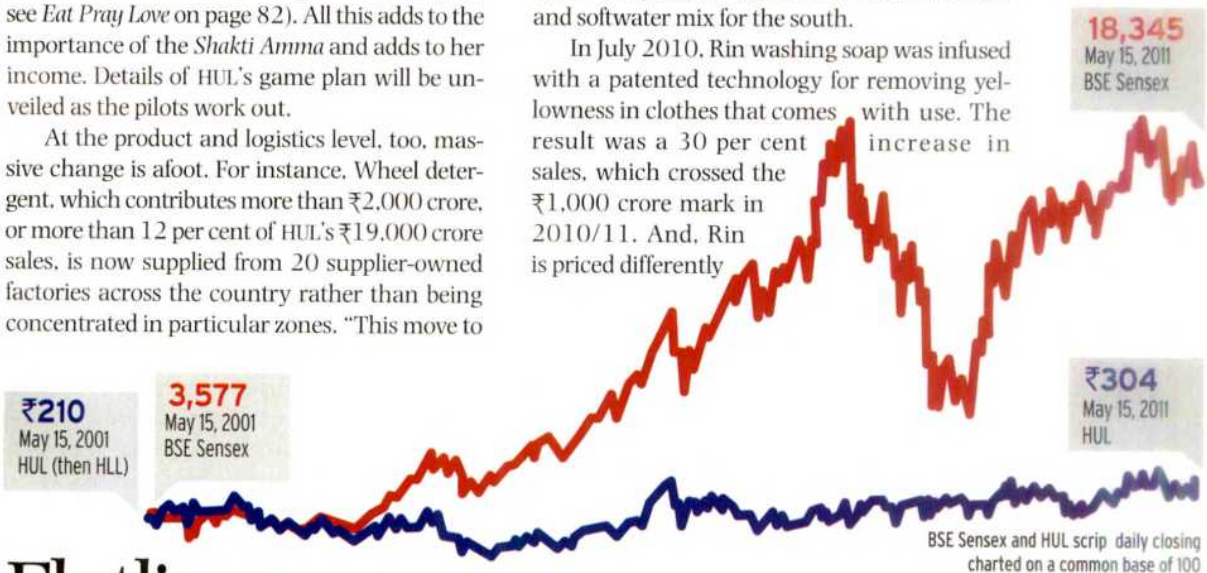
2009: War mode: Vaseline is relaunched as a wide range of skin care products; HUL rationalises distribution; decides to grow despite pressure on costs.

2010: Buying back: HUL announces its second buyback in four years – this time at ₹280 a share. Rin gets a patented boost for removing yellowness.

will use this to extend loans to its distributors. Elsewhere, Shakti members have become last mile payment collectors for cable operators or even caretakers for low-cost telecom towers. HUL has cast a wide net, fuelled by innovation (also see *Eat Pray Love* on page 82). All this adds to the importance of the *Shakti Amma* and adds to her income. Details of HUL's game plan will be unveiled as the pilots work out.

At the product and logistics level, too, massive change is afoot. For instance, Wheel detergent, which contributes more than ₹2,000 crore, or more than 12 per cent of HUL's ₹19,000 crore sales, is now supplied from 20 supplier-owned factories across the country rather than being concentrated in particular zones. "This move to shift production to supplier-owned factories close to the market led to savings of ₹1,000 to ₹1,500 per tonne," says Vittal. And, not everyone knows that Wheel has two mixes for different parts of the country: hardwater mix for northern India and softwater mix for the south.

In July 2010, Rin washing soap was infused with a patented technology for removing yellowness in clothes that comes with use. The result was a 30 per cent increase in sales, which crossed the ₹1,000 crore mark in 2010/11. And, Rin is priced differently



BSE Sensex and HUL scrip daily closing charted on a common base of 100

Flatliner

The HUL scrip is up around 44 per cent since 2001 while the Sensex has catapulted over 400 per cent

NISHIKANT GAMRE/www.indiatodayimages.com

Shaktimaan Bhegde on his rounds

Bicycle Chief

HUL's Shakti programme deploys thousands of pedalling distributors

Baloo Bhegde, a resident of Bhegdewadi hamlet, 30 km west of Pune, knows what it is to juggle jobs to make a livelihood. Born into a farmer family, the 43 year old worked at the Rand Polyproducts' (a manufacturer of specialty polymer resins) factory near Pune, but found it tough to make time to till his two acre farmland.

So, a year ago he quit his job and took to full-time farming, growing rice, wheat and *jowar*. But after tending to his patch of land daily, he found he had hours to spare. Financially, his family of five was not stretched since his wife, Vandana, earned an income. As a *Shakti Amma*, a grassroots-level distributor for Hindustan Unilever, she made ₹1,800-2,000 a month. HUL's Project Shakti, launched in 2001, employs women self-help groups to sell its products.

See more pictures at
www.businesstoday.in/hul

Now, as HUL makes a spirited push to expand and strengthen its reach in the hinterland, it has roped Bhegde in, too. He is a *Shaktimaan*, roped in for the next big leap the Anglo-Dutch multinational wants to make in India: distribute in villages with less than 2,000 people, which would be expensive to reach through its redistribution stockists.

Every day, Bhegde sets out on a bicycle provided by HUL to nearby hamlets to distribute popular brands like Wheel, Lifebuoy, Dove, Pond's and Brooke Bond. The consumers he caters to earlier had to travel to the nearest village where HUL had direct distribution. The extended reach means the Bhegdes sell products worth up to ₹25,000 a month – and keep 10 per cent.

The *Shaktimaan* model, says Ajay Khanna, an HUL veteran of over nine years and now a consultant, is designed to offset steep distribution costs. In bigger villages, a van travelling to, say, five villages a day and notching up sales of up to ₹30,000 is able to cover the cost of distribution. But, when sales are only ₹10,000 even after covering 10 villages, the economics breaks down. "It is a trade-off between cost of distribution and revenue," says Khanna. HUL has some 20,000 *Shaktimaans* signed up, in addition to 45,000-plus *Shakti Ammas*.

HUL is looking to increase its rural reach three-fold: through a combination of distributors and Project Shakti. About six million stores in the country sell its products, of which just about a million are serviced by its own distributors or company salesmen (as of end-2009). HUL wants to alter this ratio dramatically.

"We drew up a plan to increase our coverage to two million stores within 24 months. This was our 'More Stores' agenda," says Hemant Bakshi, Executive Director, Sales and Customer Development. Since 2010, HUL has added 718,000 stores. It wants another 300,000 by 2011-end. ◆

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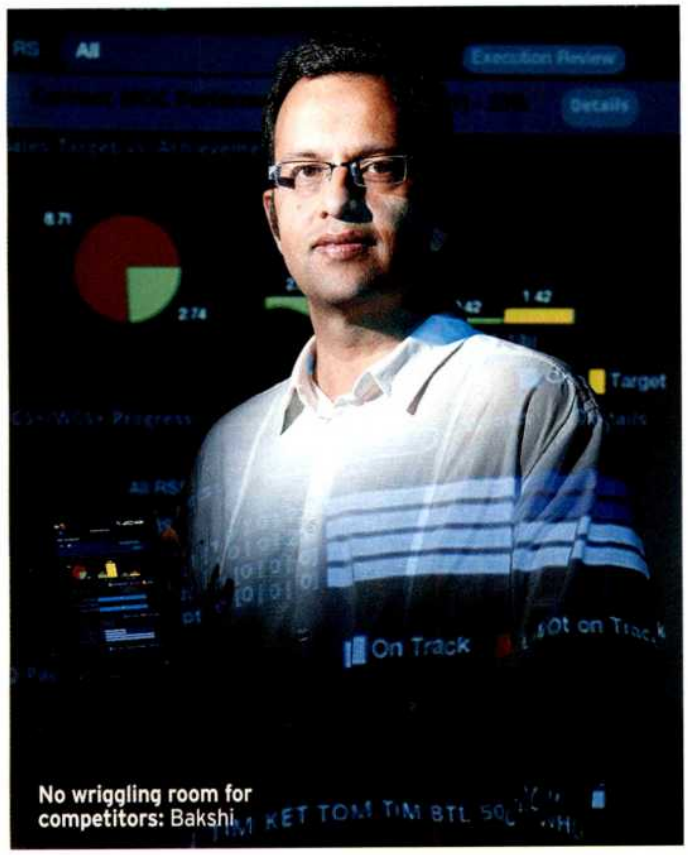

RACHIT GOSWAMI/www.indiatodayimages.com

No wriggling room for competitors: Bakshi

in southern and northern India as its "equity is different in the two parts", says Vittal. Adds Manwani: "We think local and act global, contrary to conventional wisdom. There is no global consumer, the consumer is always local." That is how the company dipped into its global portfolio, and Dove, a ₹80-crore brand two years ago, has now become a ₹650-crore play with face wash and shampoo categories added under the brand.

The innovation story is more dramatic in distribution. "We are moving from a situation where distribution is seen as a supply job to saying how do we create consumer pull. It is a very important shift in mind-set," says Manwani.

Last year HUL cut its number of distributors by around 20 per cent in large cities. In fact, from 10,000 distributors in 2002/03 it is now down to 2,400; Mumbai used to have 22, but now has only nine. "In rural areas the advantage might be going to more stores," says Paranjpe. "In urban areas going to more stores is not a competitive advantage, the quality of what they can execute in a store can be a source of competitive advantage." HUL also introduced a system of zero-inventory – in this, products arrive at its distributors' place from an HUL depot and stay there for just one night before being shipped to the retailers.

Dove, a ₹80-crore brand two years ago, has now become a ₹650-crore play

Then there is the ambitious Project IQ. It is a part of HUL's "More stores, better stores" programme and uses technology to the hilt. "We've used technology to find out the buying behaviour and buying pattern of customers [here, customers are retail outlets] throughout the chain. Every single urban outlet to begin with. Exactly what a shopkeeper bought, at what frequency does he buy, etc. – we have captured it all over the last few years," says Paranjpe excitedly.

Each urban sales agent at HUL – and it has an army of 12,000 employed by its distributors – now carries a Samsung Galaxy Tab. At every store he visits, the agent just has to key in its name and the tablet tells him what he has to do that day at that store. The tablet display shows in red which products are likely to run out of stock at the outlet and need to be replenished. It also tells him – the analytics and logic has been developed in-house by HUL – which other products are likely to sell at this outlet. At the end of the day, the salesman uploads data of what he has sold and downloads his schedule for the next day.

After the salesman leaves, the shop is visited by the merchandising man. He, too, carries a tablet, which tells him how to arrange stuff on shelves – and once all sales and merchandising tasks are completed, a store becomes "perfect". With analytics, HUL gets a unique and powerful understanding of the market at a very granular level. "No human being can look at data from million and a half outlets and come up with the answers; the designed logic is to build an algorithm and come up with certain recommendations of the system," says Paranjpe. The next step is to build predictive intelligence into the software.

For Better or Worse

While the "perfect" store will take time to realise, the immediate gain for HUL is that it has recorded volume growth across categories. Its profit after tax for the quarter ended March 31, 2011, after excluding exceptional items, showed a 22 per cent growth over the same quarter of 2010. The much smaller foods category that accounts for 20 per cent of its sales expanded

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RACHIT GOSWAMI

Move closer to markets: Vittal

21 per cent. Ice cream sales, even before the summer set in, jumped 26 per cent. For the financial year 2010/11, the company showed a volume growth of 13 per cent and sales growth of 10.7 per cent. The last quarter showed an even stronger 14 per cent growth in volumes. At the same time, it saw a 2.9 percentage point contraction in its gross margin, reflecting increase in input prices and intense competition that resulted in price cuts and increased spending on advertising.

The investing community has taken notice. Brokerage Kotak that had a "sell" recommendation for HUL until March has changed it to an "add". Says Kotak's Menon: "The company is signalling to its competition that it is not a pushover anymore and will fight for market share. It has launched new products in new niches, but unfortunately the competitive intensity is high and there is commodity inflation, too." Nomura India still continues with its "reduce exposure" recommendation. Angel Broking has an "accumulate" advisory on the stock and HDFC Securities says "buy on dips". The confusion among analysts reflects rising input costs, especially palm oil and crude prices.

Rivals of HUL are sanguine, meanwhile. A. Mahendran, Managing Director of Godrej Consumer Products, says his company is yet to feel any impact of HUL's growing volumes drive or its willingness to battle competitors on retail margins. He says: "There is only one way – to build efficiencies in our systems and then transfer the benefits of that to brand building." Mahendran, a former Lever-ite, feels there is no point in worrying too much about the input costs, as they are cyclical and even out.

Ajay Khanna, another former Lever-ite who led the company's agri-exports business at one point and is now a consultant for start-ups in the consumer space, says the Indian marketplace has changed from the past when HUL was one of Unilever's most profitable units and regularly paid huge dividends to shareholders. "Today, there is a lot more competition for HUL, from deep-pocket competitors like ITC, Godrej and P&G. Other FMCG companies are focused on rural markets and finding other ways to penetrate deeper into those markets," he says. Also, some companies are willing to pay higher wholesale margins and incentives of up to 10 per cent for better penetration into smaller villages.

To be sure, it is not just the HUL scrip alone that is languishing. Other FMCG stocks are not setting the markets on fire either. As if to underscore that it believes there is value in its Indian unit in which it owns 52 per cent, Unilever is buying back the HUL stock. HUL announced a share buyback programme in June 2010 and has just completed the process: it has mopped up 23 million shares or around one per cent of equity, for ₹625 crore. It has also decided to hive off the export business as a separate subsidiary of the company and will focus on exporting Indian brands like Kissan and Fair & Lovely to the Indian Diaspora elsewhere in the world.

India, in fact, today means a lot more to Unilever. Some 140 senior professionals who work for the London and Rotterdam-based parent in various parts of the world are Indians. There are products and models developed in India being shipped out, too. Pureit, the low-cost water-purifier, an innovation developed here is being launched in other emerging markets. Unilever is ready to take Project Shakti abroad: some parts of Africa will be the next testing ground for the grassroots distribution model. If that succeeds, the pains of the past decade that seeded the current powerful changes at HUL will be worth it. ◆

ADDITIONAL REPORTING BY RAJIV BHUVA

Each urban sales agent at HUL now carries a Samsung Galaxy Tab

The new Econavi AC. So advanced, it can sense your precise location in the room, your activity level and even your absence other than saving up to 30% power. Add to this, the Inverter technology which saves you up to 50% power. So go ahead, get the best of both worlds.

Conditions apply: *Comparison of 1.0 TON Inverter model with ECONAVI dual sensor ON and OFF. ECONAVI dual sensor ON Outside temperature: 35°C/24°C Remote setting temperature: 25°C with Fan Speed (High)/Vertical Airflow direction: Auto, Horizontal Airflow direction: ECONAVI Mode. Setting temperature goes up 1°C controlled by ECONAVI activity level. ECONAVI dual sensor OFF Outside temperature: 35°C/24°C Remote setting temperature: 25°C with Fan Speed (High)/Vertical Airflow direction: Auto, Horizontal Airflow direction: Front. Total power consumption amount are measured for 1 hour in stable condition. At Panasonic Amenity Room (size:16.2m²). This is the maximum energy saving value, and the effect differs according to conditions in installation and usage. *Comparison of 1.0 TON Inverter model and 1.0 TON Non-Inverter model (Cooling). Outside temperature: 35°C/24°C Remote setting temperature: 25°C with Fan speed (AUTO)/Vertical Airflow direction: Auto, Horizontal Airflow direction: Front. Total power consumption amount are measured for 8 hours from starting. At Panasonic Amenity Room (size: 16.2m²). This is the maximum energy saving value, and the effect differs according to conditions in installation and usage.

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"We Were Leaders But We Were Not Leading"

Since June 2005, when he took up the mantle of Non-executive Chairman of Hindustan Unilever (then Hindustan Lever), **HARISH MANWANI** *has seen three executive leadership changes at the consumer goods major. First, there were two managing directors, Arun Adhikari and S. Ravindranath, under him. Expat Doug Baillie ran HUL between March 2006 and April 2008 preceding current CEO* **NITIN PARANJPE**. *In 2008, at age 44, Paranjpe became the youngest CEO at HUL. Despite the gap in their ages, the camaraderie between the 57-year-old Manwani and Paranjpe and their shared vision became clear during a two-hour interview with* **CHAITANYA KALBAG, SUMAN LAYAK** *and* **ANUSHA SUBRAMANIAN**. *Edited excerpts:*

HUL contributes just 6.3 per cent to Unilever's global revenues. Where does India stand among emerging markets?

Manwani: Emerging markets are not just important; they are mission critical for our future strategy. We are the only company where 53 or 54 per cent of our total business now comes from developing and emerging markets. It is a very large chunk of our growth. We are going to have 60 per cent plus of our R&D resources and brand development resources in developing and emerging parts in the world. Currently, we have 40 per cent of our R&D resources in this part of the world. Bangalore. Shanghai – these are going to be a few of the powerhouse R&D [locations] for Unilever.

Developing and emerging markets are a very critical part of our business. We want to go from being 50 per cent emerging market business to 70 per cent for Unilever. Out of the BRIC markets – in Brazil and India, we have businesses that are big, we have market leadership position in most of the regions that we operate in, and without a doubt these are markets in which we will continue to prioritise and continue to strengthen our leadership. Currently, 140

Indian managers are working all over the world in senior positions, in different functions, and we feel very proud of that. [India] is a big provider of talent to Unilever.

You have said that innovation was the key to HUL's success. What is innovation for you – new products, tweaking of products or new ways of reaching consumers?

Manwani: In our kind of products, innovation has to be an ongoing process and so we have to look at what we want to bring to the market today and at the same time we should have a pipeline of innovations that should take us through the next three to five years. You have to constantly renovate and refresh your brand. Now, in that process, there are some innovations which will be more destructive, some innovations which will be incremental, and you need both. You need innovation and renovation at the same time.

Paranjpe: I would say that 50 per cent of our success has been touched by innovation. Some of them are new products that we have introduced; some are improved products. As our global CEO Paul Polman says, the fast moving consumer goods industry is an industry with continuous improvement. Every day you need to find some way to get a little better than what

Shared vision: Paranjpe (L) and Manwani

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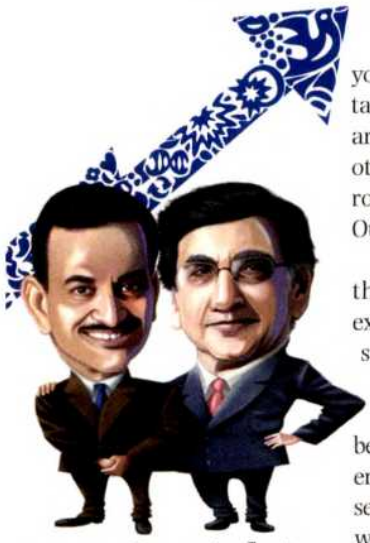

Our job is to keep creating gaps, widening gaps

you were the previous day. Why is that important? Because, you can't stay still, even if you are a leader today. [For instance,] our gap with others in ketchups fell – as the gap gets narrower the comparative advantage disappears. Our job is to keep creating gaps, widening gaps.

That's one reason. The second reason is that consumer needs keep changing and expectations change. What you want today is suddenly gone into the waste; what delights you now, by tomorrow it is hygiene.

We got to where we were in 75 years because we were pioneers and we were the leaders, but we cannot rest on those laurels. Others see this and copy and they catch up. The period where we lost out was when we were leaders but we were not leading and creating gaps. We had the widest distribution ever because we were leaders but now we are creating gaps and how we are doing that – we created 500,000 new stores in a year. That's big. It is a source of advantage for us. It is a challenge for a company like ours as well to develop economically viable distribution business models.

I thought with your experience in India you would come up with a model which was exportable to other developing markets.

Manwani: India is one of the leading edges. We are moving from a situation where distribution is seen as a supply side job to saying how do we treat distribution as a demand side job, which is how do we create consumer pull at the point of sale. It is a very important shift in mindset. [What] we are trying to do is segmentation of channels and stores because what we do in a modern trade outlet, or a pharmacy outlet, or a *kirana* store or rural has to be different. There is no rocket science in saying this, doing it is the rocket science.

Paranjpe: We shouldn't think the game has played out, the game is beginning and what we want to do is learn to be disciplined and systematic in the manner in which we make and build our brand. You want to build a strong brand. And when you build strong brands you're going to create positions, I keep using an analogy, a chess analogy. We want to make our move such that we are well positioned before the end game is reached. This is not about rushing every pawn too quickly to fourth positions without thinking too much. That tactic is not going to make you win the game eventually. We've to think through how markets evolved and where will competitive advantage come from, how should we be building our brands, what is the source of long term sustainable advantage that we've got and position ourselves well because this game is still beginning, it has not played out at all.

Full transcript of the interview and edited audio at www.businesstoday.in/hul

Five quarters of double-digit growth. And, Mr Paranjpe, you have been in charge for the last three years?

Paranjpe: I remind everybody in our business that we have to run this business with a bifocal lens. It is about managing today but we would be failing in our responsibilities if we did not take steps which may seem not so important in the scheme of things today but will be mission critical in guaranteeing the success of this business tomorrow. Build a portfolio and capability that is relevant for India tomorrow. Doesn't matter how small it is today but have a point of view. Have a point of view on the consumers of tomorrow, a point of view on the segments that are likely to grow tomorrow, the categories that will grow tomorrow, and the geographies that will grow and be relevant tomorrow.

Mr Manwani, we understand that Mr Polman is very happy with everyone's performance, with huge bonuses being read about. Do you feel you should be looking at heading the global organisation at some point?

Manwani: First, talking about rewards: in a large company like ours, there is a system. By giving sharper clarity on expected performance from people, targets, jobs to be done, people are happy with transparency and sharpness. We sent people [out] irrespective of where they came from. You could be from a local college, an MBA, Oxford or wherever, you start by picking up your bags, going out and discovering India, spending time in our factories, spending time in our markets. This takes the reach of our products even deeper. We were doing it sharply because we have the best minds. [But] if you keep thinking what you are going to do next, you cannot focus on what you are doing currently. It is about commitment to the company. I have been here for many years, 34 years; the important thing is not that I have spent so many years – what is important is whether you are committed. The most important thing is that you have to get excited about what you do, be committed and have the right values. ◆

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Innovations

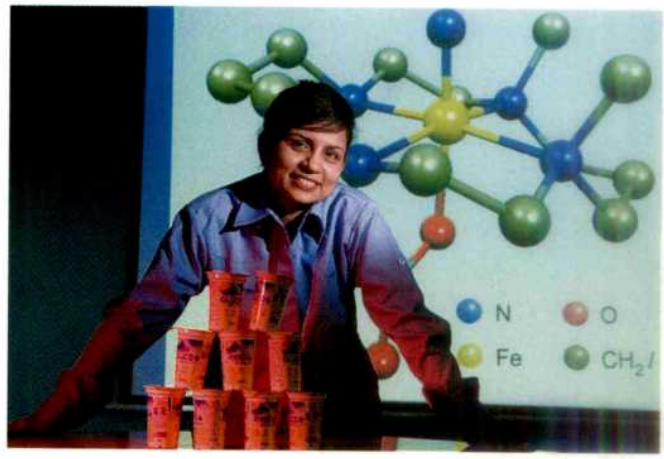
In a departure from the past, the ₹130,000-crore FMCG sector has plunged headlong into launching new products. By SHAMNI PANDE and ANUMEHA CHATURVEDI

No one in my company ever says let's do this because X company is doing it," says Nadia Chauhan-Kurup, 25, Joint Managing Director of the ₹1,500-crore beverages heavyweight Parle Agro. Is she boasting? Not at all.

Parle Agro has successfully unleashed an array of new products in recent years – with quirky branding too that captured both the mood and the taste of the times. Think LMN, the bottled *nimbu paani*, or fresh lemon water, from the organised segment that came out in 2009. Think Hippo which Parle launched last year – a wheat-based, salty snack that is unlike any branded snack seen before in India.

And Parle Agro is not alone. Pepsi came up with Nimbooz and Aliva while Coke launched Nimbu Fresh. In their search for new growth opportunities, fast moving consumer goods, or FMCG, companies inundated the market last year with more than 10,000 new stock-keeping units, or SKUs – split equally between food and non-food categories. (A new SKU implies some kind of product innovation, either in content or packaging, ranging from a minor tweak to a completely new offering.) Until recently, the ₹130,000-crore FMCG industry, which accounts for 2.2 per cent of India's national income, was not exactly known for introducing new products. No longer. "Product innovation in FMCG sector has been tardy in India, but has picked up pace in the last few years," says brand and strategy consultant Harish Bijoor.

The reasons for the change are obvious. The just-concluded decade of high growth, raising per capita consumption to ₹52,800 in 2010, has instilled a new confidence and boosted consumption. According to a McKinsey estimate, average household income in India is set to grow from ₹113,744 in 2005 to ₹318,896 by 2025. India's gross domestic product, or GDP, is even expected to overtake that of its former colonial master Britain in the coming decade. The demographic pattern – 59 per cent of India's 1.2 billion people are below 30 – encourages innovation too. "Youth has greater willingness to spend more," notes a report prepared by consulting firm Booz and Co for the Confederation of Indian Industry.



SAPTARSHI BISWAS

"You can't say it's easier for an MNC to innovate. Firms like Dabur and Marico are doing a phenomenal job."

GEETU VERMA, Executive Director, Innovation, PepsiCo India

The same people who earlier set curd every night to consume the next day now buy it readymade from the store, where they have the option of the probiotic variety, as well as flavoured yoghurt. "This is the next stage, where a large segment of the population has moved up the value chain to becoming aspirants and thereby finicky in its choices. Manufacturers are forced to offer more," says Bijoor.

Out of the Comfort Zone

Boundaries are shattering as companies diversify like never before. In 2008, FMCG giant Hindustan Unilever moved into consumer durables by launching a water purifier, Pureit. Leading pharmaceutical group Zydus Cadila has entered the FMCG arena with its sugar-free

GARNIER FRUCTIS SHAMPOO+OIL

Problem: **Indians traditionally oil their hair before shampooing it**

Solution: **A product that combines both**

Right mix: Jaipuriar (in black) at a Dabur research lab

SHEKHAR GHOSH

"Launch of flavoured Chyawanprash helped us bring back young adults on our consumption charts"

PARVEEN JAIPURIAR, Additional General Manager, Marketing, Dabur

GOODKNIGHT ADVANCE ACTIV PLUS

Problem: **Release of repellant not sufficient to combat mosquitoes**

Solution: **A gadget that allows consumers to increase the level of repellant release**

drink Sugar Free D'lite and its table margarine, Nutralite. In May, the world's biggest confectionary player, Perfetti Van Melle, with well known brands like Alpenliebe and Centre Fresh, moved into the salty snacks category in India – which it has not done anywhere else in the world – by launching Stop Not. "The salty snacks space offers us huge opportunities and we are looking to shake up the market with very interesting products," says Sameer Suneja, Managing Director, Perfetti.

Dabur's innovations include Oxylife Bleach – for which it is awaiting a patent – that claims to release oxygen into the skin. It is aimed purely at the 20,000-odd beauty parlours in the country. Marico has launched a branded rice, Saffola Arise, which it says has a low glycemic index, or reduced carbohydrate content. "Most players are constantly looking out for newer segments to get into," says Raghavendra Rao, Consumer Markets Analyst, Datamonitor India. "Companies typically come up with solutions that address the growing health concerns of consumers."

What prompted these radical departures, or disruptive launches in industry parlance? It was clearly the impetus to grab larger market share. In a fast-growing market, no company is content with just what it has. Horlicks, GlaxoSmithKline Consumer Healthcare, or GSKCH's, well known health drink, for instance, holds around 60 per cent of the market share in that segment. "But we wanted to grow the market still further, as there were new user groups whose needs were either not being met, or those we did not realise the need to reach out to," says Marketing Director Shubhajit Sen.

The company launched a separate Horlicks drink for women in 2008. This allowed it to rope in a new segment of consumers and today, the new drink contributes almost 25 per cent to the ₹1,600-crore Horlicks brand. GSKCH followed up with Junior Horlicks biscuits, targetting toddlers. "We are coming out with product innovations which will be healthy choices backed by scientific research."

says Sen. *(See No Country for New Products)*

Dabur was equally enterprising too, when it tweaked it successful Chyawanprash brand – a health tonic whose formula is based on an ancient Ayurvedic text – to provide it in different flavours. "It was a risk, but it paid off. We were able to bring back young adults who were falling off our consumption charts," says Praveen Jaipuriar, Dabur's Additional General Manager for Marketing.

We Are Like That Only

Innovation, no doubt, costs money. On average, launching a new SKU costs between ₹8 crore and ₹10 crore. "It could go up to ₹15 crore in some cases. This includes the cost of research trials, promotions and marketing budgets," says Sanjay Singal, General Manager, Marketing, Dabur. Despite the expense, relatively smaller companies have not only launched innovative products but also carved out new niches for themselves with these, as well as forced multinationals to follow their example. Multinationals like HUL and L'Oreal were forced to follow suit when health and personal care products major Emami launched a new fairness cream exclusively for men, Fair and Handsome. "You can't say it's easier for an MNC to innovate. An MNC has to develop a lot of local innovations," says Geetu Verma, Executive Director, Innovation at PepsiCo India. "A lot of domestic companies like Dabur and Marico are doing a phenomenal job."

But MNCs are trying too. Apart from its water purifier, HUL has expanded its chain of Lakme salons and even experimented with laundry services in the past. L'Oreal is going desi with a vengeance. "Our Garnier shampoo-plus-oil plays on the traditional habit of Indians oiling their hair," says Shweta Purandare, Scientific Director, L'Oreal India. "We have entered the eyeliner category with a non-smudging *kajal* stick."

Research and development centres are the flavour of the season at focus group meetings. Marico's Parachute Hot Oil was borne out of a discussion on giving away a heater with its coconut hair oil as consumers faced the problem of the oil congealing during winters. "While looking at ways to reduce the costs of a heater, we came up with the idea of hot oil instead," says Sameer Satpathy, head of marketing at Marico's Consumer Product's Business.

The innovation bandwagon is also driving acquisitions. Companies are getting into new segments by acquiring brands. "We know if we do not have a certain capability, we can acquire it or even pay and get the best in the

Problem: Coconut hair oil congeals in winter and cannot be extracted from bottle

Solution: Unique mix of oil that does not congeal and has warming properties

"Reckitt's innovations can build on the success Paras enjoys"

CHANDER MOHAN SETHI, Chairman, Reckitt Benckiser India

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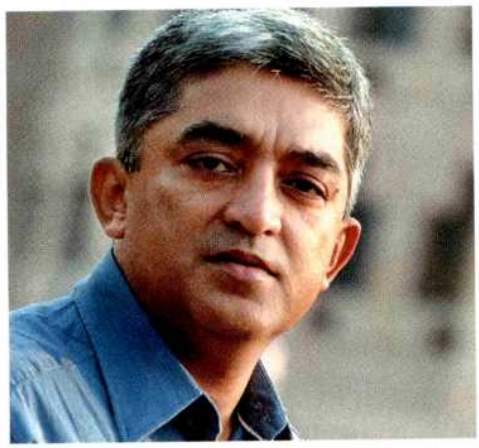

"Product innovation in the FMCG sector picked up in the last few years."

HARISH BIJOOR,
Consultant, Brand and Strategy

DABUR OXYLIFE BLEACH

Problem: **Skin loses glow after bleaching**

Solution: **A bleach that releases oxygen and restores glow**

field to do the research for us," says Dabur's Jaipuriar. Late last year Reckitt Benckiser, the world's largest maker of household cleaning material, bought out Paras Pharmaceuticals, best known for its pain reliever Moov, for ₹3,260 crore. "Our existing strong platform in India combined with our parent company's investment and innovation strength can build on the success which Paras already enjoys," says Chander Mohan Sethi, Chairman of Reckitt Benckiser India. Similarly, the ₹6,000 crore Cargill India acquired the edible oil brand Sweekar from Marico. "We think Sweekar offers just the right platform to allow us to innovate. It is a premium brand and its consumers would be willing to pay more for a specific health benefit," says Siraj A. Chaudhry, Chairman, Managing Director, Cargill India.

Yet innovation does not always work. Many initiatives are taken, only a few succeed. Marico's debut attempt at a salty snack, Saffola Zest, for instance, had to be withdrawn within a year of its launch in 2009. GSKCH's flavoured, packaged milk drink Chill Dood, also in 2009, flopped as well.

Quick Entry, Exit

"Companies need to show speed in introducing new products and variants. But they should also respond fast and drop product lines and variants that do not perform," says Y.L.R. Moorthi, professor of marketing at the Indian Institute of Management, Bangalore. "Often organisations are quick with the first but slow with the second. That is how they get saddled with non-performers." Moorthi also feels the real challenge is to keep upgrading existing products, keeping them contemporary and relevant. "It is because the companies concerned could do this with age-old soap brands like Lux, Lifebuoy and Pears that they remained market leaders for decades," he adds.

"The contribution of innovation to a company's top line ranges between 0.1 to 10 per cent in the first launch year, and is in the range of 0.1 to 20 per cent in its second year," says Banoja Acharya, Vice President, BASES India at the market research firm, The Nielsen Company. (Nielsen's BASES services help clients achieve growth through new product innovations.) And that only holds if the product is a success.

"Who cares about how much money a company has spent on technology or research? Eventually the consumer must like what is being offered. It has to fill a need – at the price he can afford," concludes Ajeet Singh Karan, Partner, Baring Private Equity. ◆

"No one in my company ever says let's do this because X is doing it."

NADIA CHAUHAN-KURUP, Joint Managing Director, Parlé Agro

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Ring in the New to Ride the Bourses

FMCG firms are steady market performers, but those that constantly innovate do better. By RAJIV BHUVA

The economic downturn of 2008/09 hit every sector under the sun, but some were less affected than others. One such sector was fast moving consumer goods, or FMCG, which remained a relatively safe haven for investors.

The reason is apparent – in the FMCG sector, there is no cyclicity involved. FMCG scrips rarely soar, but they do not fall steeply either. (The same is true of pharmaceutical stocks.) The demand for these goods may not be entirely immune to market-moving factors like GDP growth, inflation or interest rates, but it is not wholly dependent on them either. People will keep buying soap and toothpaste, for instance, or medicines, even if the prices shoot up. Thus FMCG and pharma stocks are termed 'defensive stocks'.

In India too, FMCG scrips appeared relatively sluggish when the markets were booming from late 2006 to early 2008. But, all through the financial crisis and even thereafter, FMCG scrips have either performed better than, or been neck and neck with, the broader BSE Sensex (See *Stock Taking*).

But there are leaders and laggards too within the FMCG space. What sets the former apart from the latter? Brand equity obviously brings higher revenues and profit, but innovation makes a big difference too. Driving brand equity helps companies build long-term success stories. For instance, sustained investment over the last 25 years in Nestlé's Maggi, a household name, has led to the creation of a brand worth about ₹800 crore.

However, innovation matters just as much. "Innovation is what sets apart the best consumer companies from the average ones in the long term," says Manish Jain, FMCG analyst at Nomura India.

A strong innovation-led approach is critical to the long-term success of a consumer company. It is not only the Maggi brand, but also constant innovation that has seen a company like Nestlé India's price to earnings, or P/E, multiple expand manifold over the last 10 years (See *Stock Taking*). Compare this to, for instance, Hindustan Unilever, whose P/E mul-

tiple has contracted on the back of less successful strategies around innovation. "Innovation is an important growth driver," agrees Vijay Chugh, Director of Research at Ambit Capital. Chugh, who tracks the sector, believes innovation is a necessity now with global competition entering in a big way.

"The track record of successful innovation is equally important," says Abneesh Roy, analyst at Mumbai-based Edelweiss Capital. Roy too cites Nestlé India – the most expensive stock in the FMCG space – noting that the company's instant pasta became segment leader in India in just one year with 70 per cent market share. "This is the quickest Nestlé's has got to top position in its global history," he says. Though Sunfeast was already present in the instant pasta space when Nestlé entered, the former has not been able to make much room for itself. Given Nestlé's larger spend on research and development, Roy believes smaller companies cannot make a very big difference. "However, small companies can use their innovation capabilities to lead in niche spaces," he adds.

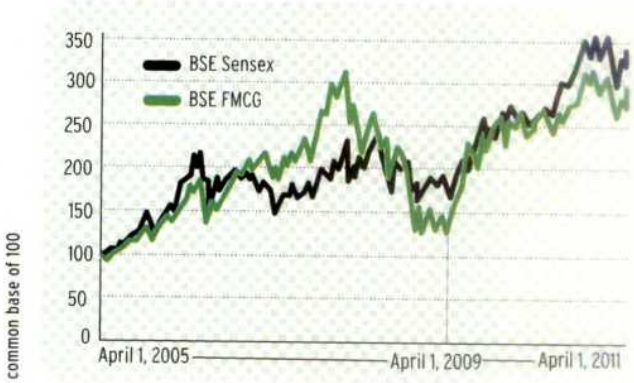
Innovation need not always mean new products. It could mean new packaging or ingenious pricing. For instance, the move to sachets has been a big positive for FMCG companies, roping in a large, new section of buyers and enabling penetration into non-urban markets. Jain also cites GlaxoSmithKline Consumer Healthcare India, or GSKCH, as another company that has reaped the rewards of innovation. Its P/E multiples expanded significantly, from 16 times in 2007 to 32 times now, as it changed track from being a purely malted beverage company to include other products such as instant noodles, energy bars and drinks in its portfolio.

Unlike in the pharma sector, however, no FMCG innovation can transform the fortunes of a company. A strong innovation pipeline in an FMCG company excites investors, but they wait for long-term consumer reaction. The timelines are more stretched for FMCG companies; they need to keep investing in marketing to ensure buyers come back, says Jain of Nomura India. "For a new product to meaningfully contribute to revenues and profits, it has to grow at a fast clip for a number of years," he adds. "It can be a very different story for pharma companies, where one new drug, if successful, can double the company's existing revenues in a matter of years." Jain cites the example of the ₹400-crore oats market in India. Marico Industries launched Saffola Oats in June 2010 and it has already become a ₹30-crore brand. But the product still has a long way to go before it starts contributing meaningfully to the ₹2,061 crore revenues of Marico.

Invariably, FMCG companies bringing in regular innovations command better valuations than their not-so innovative peers. "The innovators always tend to trade at much higher valuations, as a strong innovation pipeline gives investors more confidence about the long-term health of the company," says Jain.

Stock Taking

FMCG scrips outperformed the Sensex during the slowdown...



... and 'innovator' Nestlé scored over 'conservative' HUL

Again, in India, within the FMCG space, food companies trade at much higher valuations than those in the home and personal care space, as the former tend to have a stronger innovation pipeline. For instance: In the last four years, P/E multiples of Godrej Consumer Products has increased from 27 to 32 times whereas that of Britannia Industries more than doubled from 29 to 62 times.

"Commercial innovations drive growth. Valuations respond to growth and profitability," concludes Chugh of Ambit Capital. ◆

Tough Deal for New Products

Innovate or perish has become a rallying call among FMCG companies of late. However, most innovations perish rapidly post launch. It seems a Sisyphean task for organisations – launching innovations at great costs only to face failure. Even when some innovations make no financial sense at launch, they get characterised as 'strategic' by the senior management, only to be dragged to an unnecessary painful death. In this litany of failures, emerge a very few successes. They are spoken about in conferences and presentations as best practices to be emulated. Others (especially consultants) give various examples from Europe and the United States about 'how to innovate successfully'. Everyone, it seems, is in search of the formula to innovate successfully.

It is difficult to drive successful innovations in India consistently. This is because of structural differences in our operating environment. Despite significant advances in research techniques, the industry's rate of success has not improved – primarily owing to faulty, non-rational decision making in organisations.

AC Nielsen data reveals how difficult it is to make innovations succeed in India. In 16 FMCG categories, new stock keeping units, or SKUs, launched in the previous year contributed only 1.6 per cent market share in Year 1, growing to 3.6 per cent in Year 2. This share achievement was distributed across 100 plus launches. On an average, each new launch managed a turnover of ₹4 crore in Year 1 rising to ₹10 crore in Year 2. Any practising marketer would know that the marketing cost of a new launch far outweighs this paltry return. This slow build-up of innovation sales is also reflected in the time it takes an FMCG innovation to touch the milestone turnover of ₹100 crore – the modal time is five years. In most FMCG categories, an overwhelming market share – sometimes approaching 75 to 80 per cent – is cornered by brands and variants that have been in market for over 15 years. This contrasts with the West, where in many categories, innovations control around 33 per cent market share.

Innovations in the West make for around 33% share of market. In India, brands older than 15 years account for as much as 80%

The reason for this difference is the market structure – the retail trade. Our trade is fragmented in nature. AC Nielsen data indicates that innovations take a longer time to achieve comparable levels of distribution against launches in markets that are modern trade driven. Also, peak distribution levels at the end of Year 2 are lower. As is obvious, a lower distribution linearly dampens trial rates for innovations from reaching their true potential.

The second issue with a fragmented trade is that traditional shoppers not only have to fit in a new product buy within a pre-determined shopping trip and an allocated budget but also need to remember the new brand name to ask the retailer for it. This is a very different scenario from a shopper in a modern trade who has a higher shopping budget, may come across a new product while walking past the shelves and has a chance to reach out for it – all leading to a higher probability of a trial.

Supporting this hypothesis is the market share data across categories in India where new launches and newer brands have a higher share in modern trade than in traditional trade. The competitive structure across most categories reveals very different market shares in modern trade. Better pre-launch work preparation can mitigate some of these issues, but there are other challenges. Most organisations rely on some pre-launch volumetric research to not only inform their launch planning but also optimise the launch package. However, post launch success rates have not improved dramatically and it has become popular to blame research agencies. Companies are equally to blame for this.

Many marketers consider a project success-

ful if the derived volume meets initial targets and any one or two of key underlying criteria (e.g. differentiation and value, to name two) beat norms. However, they forget that if all four of the criteria are not met, the probability of in-market success falls below 50 per cent. The issue is one of education; but the bigger issue is by the time a milestone research is completed, the project is infused with so much organisational energy and emotion that there is a strong tendency to clutch at any good news – even if rationally, you should take a different decision.

Given the various issues – pre-launch and in-market – outlined above, does it make sense to revert only to traditional marketing and sales interventions to drive top line sales? While in the short run, this gives better financial returns, it prevents an organisation from participating in new areas of growth, precludes the possibility of new streams of future revenue, and arguably prevents strong brands from being seen as modern and contemporary – putting at risk the entire brand franchise.

In India, new launches and newer brands have a higher success share in modern trade than in traditional trade

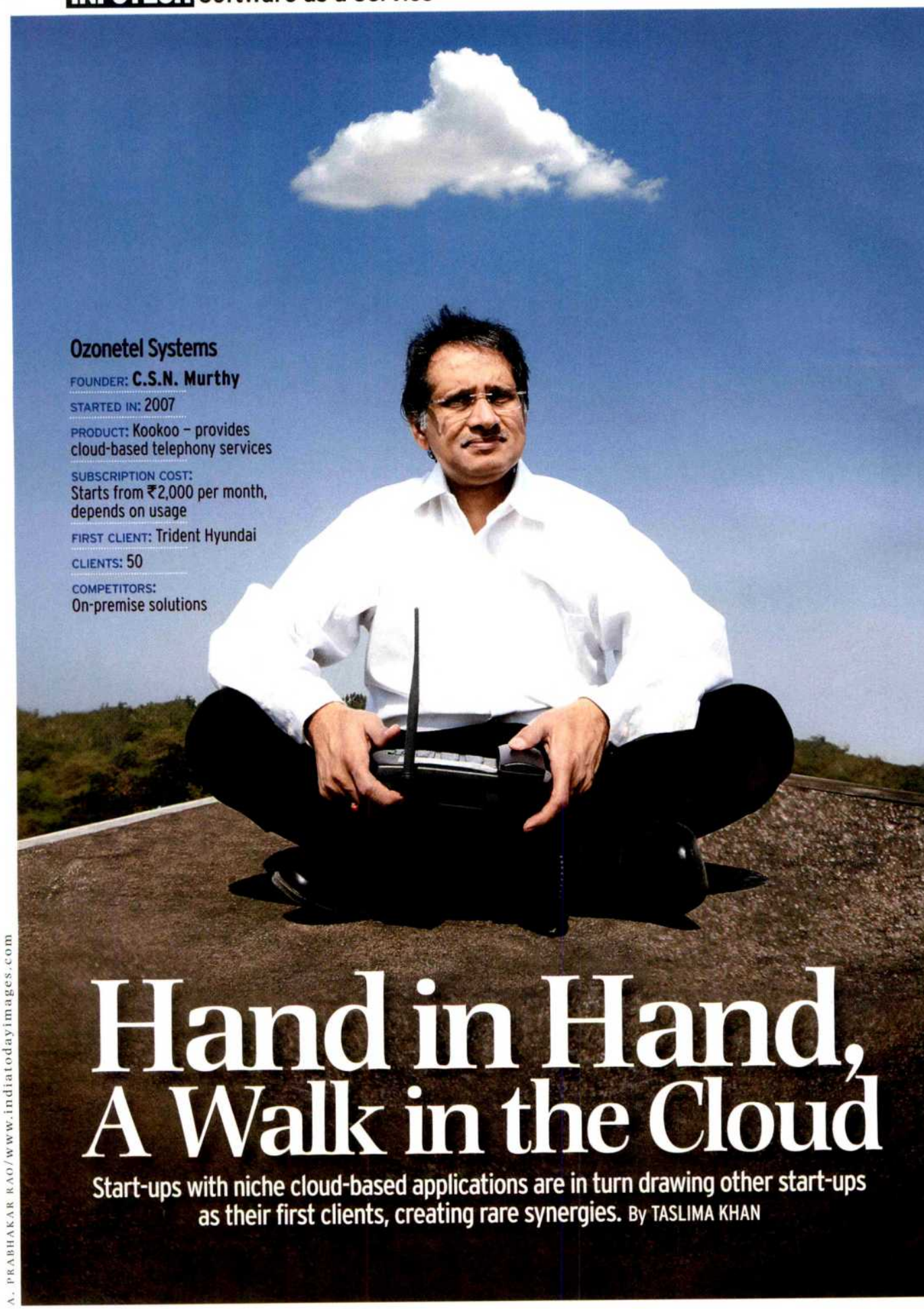
One strategy to balance this tension is by approaching innovations with a portfolio mindset. Any risky investment benefits from spreading the risks across a portfolio of assets with differing risk-return profiles. You could approach innovations by continuously evaluating the value of your innovation portfolio – the pipeline. Evaluate if the portfolio is balanced – in terms of project size – balancing large, risky projects with many small, less risky ones. Spread the risk across different types of innovations, where the project is driven by entering a new category or creating a new one, or a balance of small, incremental flavours or new pack launches. Balance low-margin projects with high-margin projects. Ensure there is a steady stream of projects spread across time frames. By managing a portfolio of assets, it becomes easier to kill dud projects before their launch and also kill innovations that do not perform in the market. The blended metrics of the innovation portfolio can achieve a better financial profile – balancing top line growth with bottom line returns better than a singular focus on individual innovations. This will require an organisational restructuring – in terms of allocation of resources as well as identifying of competency gaps for the human resources department to focus on for training and development. It could also lead to organisational restructuring where dedicated teams can focus on early stage ideation for long-term innovations.

Following some of these principles has helped GlaxoSmithKline Consumer Healthcare, or GSKCH, in India. One key outcome has been a significant diversification of our portfolio where the over 100-year-old Horlicks, despite growing at its fastest rate ever, contributes to only half of our business – down from 67 per cent in 2002. And our innovations have helped GSKCH become one of the faster growing FMCG companies in the past two to three years.

With portfolio diversification, Horlicks contributes to half of GSKCH's revenues, down from 67% in 2002

In conclusion, innovations are a key driver of growth. However, the track record of innovations is dismal. While organisations can improve their odds with better discipline pre-launch, the structure of our market makes it difficult for most launches to succeed. Organisations will benefit from working within the 'law of averages' and construct a portfolio of ideas that spreads the risk rather than get trapped by the 'fewer, bigger, better' syndrome. And beware any wise man who says that he has a formula for delivering successful innovations consistently in India. ◆

The author is Executive Vice President, Marketing, GlaxoSmithKline Consumer Healthcare India



Ozonetel Systems

FOUNDER: **C.S.N. Murthy**

STARTED IN: 2007

PRODUCT: Kookoo – provides cloud-based telephony services

SUBSCRIPTION COST: Starts from ₹2,000 per month, depends on usage

FIRST CLIENT: Trident Hyundai

CLIENTS: 50

COMPETITORS: On-premise solutions

Hand in Hand, A Walk in the Cloud

Start-ups with niche cloud-based applications are in turn drawing other start-ups as their first clients, creating rare synergies. By TASLIMA KHAN

A. PRABHAKAR RAO/www.indiatodayimages.com

A SaaS revolution is sweeping the world – and it has reached India as well. Forrester, the IT research firm, estimates that by 2016, the SaaS or 'software as a service' space will account for 26 per cent of the total packaged software market, with global revenues of $92.8 billion. (The SaaS phenomenon locates a wide of range of software in an Internet cloud, which those who need to can access, instead of installing the software on their computers.)

The big shift to SaaS, to be sure, has major software firms such as Microsoft changing their offerings. But, in India, the revolution is being spearheaded largely by young start-up companies rather than the established giants. Quick to gauge the tremendous potential SaaS holds for the small and medium business segment – who may find installing expensive software beyond their means – most SaaS start-ups have networked with other start-ups across sectors through referrals, word-of-mouth publicity and online marketing.

These synergies are helping SaaS companies grow quickly. Reach Accountant, for instance, which offers accounting services in the cloud, started in early 2008, and already has over 150 clients. Nevales, a network security solutions provider which began operations only last year, has netted over 100 clients. These vendors seem to have filled a niche in a scenario where small companies often have apprehensions over signing up for products and services offered by corporations.

"I do not think bigger companies are friendly to start-ups," says Shivkumar Ganesan who runs Roopit, a classified service start-up. "When you are serviced by another start-up, you feel the comfort of going to a *kirana* store over a Big Bazaar outlet."

Interviewstreet Technologies, begun in 2009, is another cloud-based start-up. It helps in assessing job candidates online. Says Binny Bansal of online retailer Flipkart, which too began only three-and-a-half years ago, and soon became Interviewstreet's first client: "We just love their dedication and receptiveness."

For most start-ups, the cost benefit is the most important. On-premise software solutions – or installing the required software in the organisation's network – are way too expensive for young companies. They often involve complicated procedures as well, unsuited to a young company: having to pay upfront, for instance, installing servers and power backup. Using SaaS, young companies can save at least 50-60 per cent of the cost of ownership of an on-premise software solution. "A talent management solution may typically cost over ₹25 lakh and take 12 to 18 months to implement," says Shyam Sunder, Chief Knowledge Officer at Ramco, a Chennai tech company that offers a cloud-based enterprise resource planning, or ERP, SaaS solution. "By then most of your talented people may have left you."

Value in Verticals

For the cloud-based start-ups, a niche focus is a good strategy to enter the market and compete against the packaged suites offered by larger IT vendors, says Satish Kataria, Managing Director at Springboard Ventures, a company which offers mentoring and other services to start-ups.

Take Synage Software. It

Nevales Networks

FOUNDERS: **Ravishankar, Kaushik Thakkar and Sunija Rishi**

STARTED IN: 2010

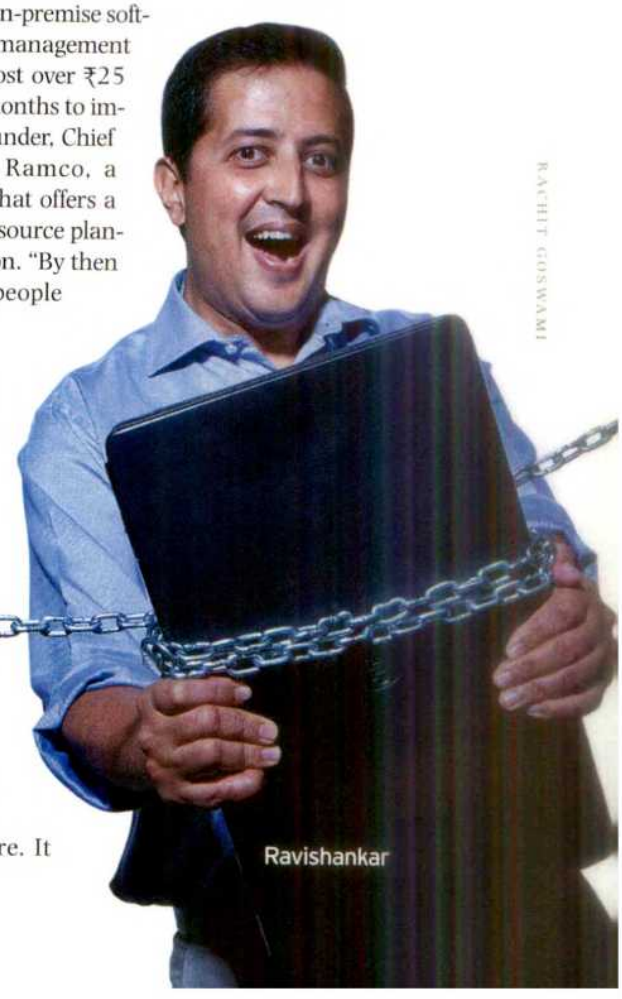
PRODUCT: Subscription-based network security solutions for SMEs

SUBSCRIPTION COST: ₹2,500 per month

FIRST CLIENT: Nutech Industrial Spares and Services

CLIENTS: Over 100

COMPETITORS: Cyberoam, Sonicwall, Watchguard, Fortinet



Ravishankar

RAVIHIT GOSWAMI

started as a web design and development company in 2005. A few years later, it needed a software solution for a collaboration project, but could not find it anywhere in the market. That was the motivation to develop a product on its own. DeskAway – with which Synage Software turned itself into a product company in 2007. After using the product for its own project, says Sahil Parekh, Synage's founder, the company went on to grab a few former Web design clients which were also very young companies. Synage is the only Indian company operating in this space. All his competitors – Basecamp, GoPlan, Central Desktop and others – are foreign.

Apart from saving on costs, client start-ups also find the cloud vendors very useful for their hiring, project management and accounting tasks. "It empowers them and helps them scale up their IT infrastructure as per the pace of the business," says Alok Mittal, Managing Director, Canaan Partners.

Harshil Karia, Founder, Foxymoron, a digital marketing company, remembers doing a project for Cadbury's when his start-up was only a few months old. It called for immense planning and careful allocation of tasks and DeskAway proved particularly useful for him.

"No software vendor in India offers a parallel product," he says. "There were a few foreign vendors but since this was a home grown solution, we went in for it and now we are quite used to it."

Kick the Clunky

There are other fixes SaaS vendors offer, too. Shashank N.D., founder of Practo.com, a two-year-old start-up offering clinic management solutions to doctors, found it extremely difficult to compute 'tax deduction at source' or TDS, and service tax with Tally, a software accountants in India widely use. Shashank also did not want to give away the entire design of the product he needed to any vendor. He found Reach Accountant two months back. This application allows a company to directly make all income and expenditure entries, which accountants can remotely verify and work out all taxes payable at the month-end. It proved a perfect fit for Shashank.

Start-up vendors have an easier time with the shorter sales cycles as well. "Small and medium businesses, or SMBs find us online, check the product, sign up and start using without even contacting us," says Parekh of Synage.

SMBs find SaaS start-ups particularly useful because they need products with intricate customisation. Bigger vendors cannot address such requirements without incurring overheads which they would, in turn, pass on to the client. "We have a support team which is constantly in touch with clients and addresses any customisation demand," says C.S.N. Murthy, founder of Ozonetel Systems, a cloud telephony services company which started in 2007. Murthy and team have created two SaaS

Synage Software

FOUNDER: **Sahil Parekh**

STARTED IN: 2005

PRODUCT: DeskAway, a SaaS application providing a central system to collaborate and track work virtually

SUBSCRIPTION COST: ₹500 to ₹5,000 per month, depending on usage

FIRST CLIENT: Parksons Games & Sports

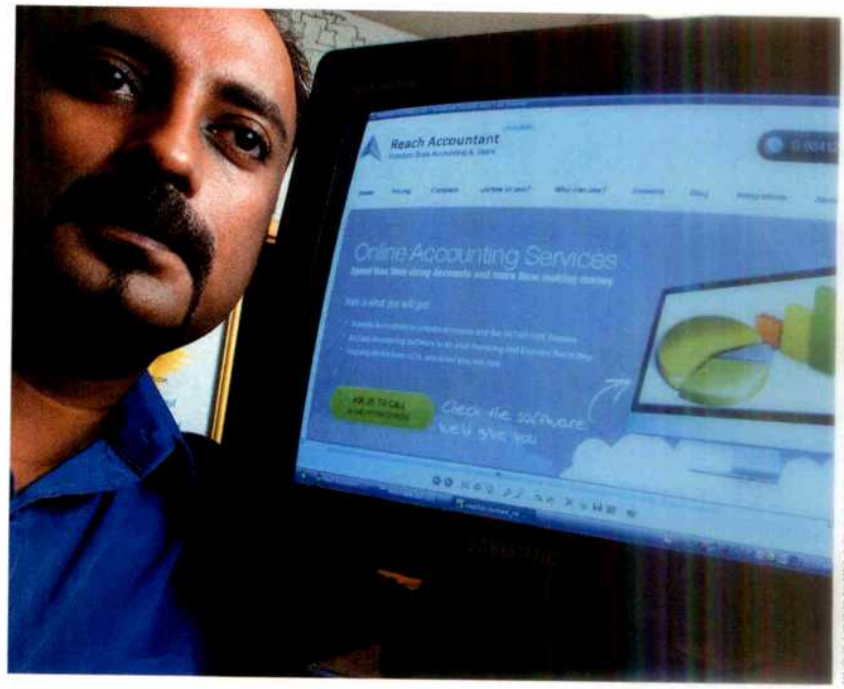
CLIENTS: Around 700

COMPETITORS: Basecamp, GoPlan, Zoho Projects, Central Desktop

NISHIKANT GAMRE

applications using a home-grown hosted telephony platform.

Start-up clients working with start-up vendors find it much easier to sort out niggling issues. Adhil Shetty, Founder, Bank Bazaar, a two-and-a-half year-old-start-up, was at the Indian Institute of Technology, Kharagpur six months ago, looking for software programmers. He screened 80 candidates and shortlisted 30 for final interviews using customised tests developed by Interviewstreet. Shetty knew its founder, Vivek Ravishankar from before, through a mutual friend at online retailer Amazon. "At the outset, there were a few problems: the tests would crash before candidates completed them. However, we were able to iron out the wrinkles within six months," says Shetty.



G KESHAV RAJ/WWW.INDIATODAYIMAGES.COM

Beyond SMB

With an estimated 2.5 million SMBs in the country, this segment is large enough a market for the cloud vendors. But will they ever graduate to the bigger companies? Some start-ups, after having consolidated themselves, are now eyeing the big corporate pie. i-Web technologies, for instance, which provides SaaS-based solutions related to customer relationship management, and is three years old, today boasts clients like the Life Insurance Corporation of India. "It adds to the credibility of start-ups if they have big corporates as clients," says venture investor Kataria.

Synage is working on a non-SMB or enterprise version of DeskAway which will target larger companies, charging them more too. DeskAway already has clients like Etihad Airways, World Bank and Nasscom. But its focus will still remain the SMB market, Parekh says.

Companies may prefer to keep critical business applications out of the cloud. It is for this reason, according to the Forrester survey, that SaaS business applications will never take over 100 per cent of the packaged business application market. Companies would prefer hybrid models, with business-critical, competitive applications staying on-premise. Thus, Flipkart, which is using Interviewstreet, faces no security issue in getting software programmers screened through a cloud application. But, for processes like call centre management systems, it continues to use on-premise software.

The choice for small companies is clear: either spend heavily on complex on-premise solutions or use 'pay-as-you-go' SaaS solutions. The younger and smaller a company is, the more it would prefer the latter.

While cloud-based SaaS companies are empowering users to scale up, investors say their spread in the market will depend on the distinctiveness of these applications. Kataria at Springboard Ventures, who is currently screening eight start-ups with cloud applications, to choose one, cites the example of iDuple.com. It offers a package of a handheld device with a browser and all necessary web software required by an SME or start-up on the cloud. "That is the kind of differentiation needed," he says.

Concludes Mittal of Canaan Partners, which recently invested in two start-ups: "Start-ups should look for application areas that would not be possible without the cloud. It is those applications that will be the game changers." ◆

Reach Accountant

FOUNDER: **Robin Moses**

STARTED IN: 2008

PRODUCT: SaaS-based accounting software

SUBSCRIPTION COST: ₹999 to ₹2,999 per month, depending on usage

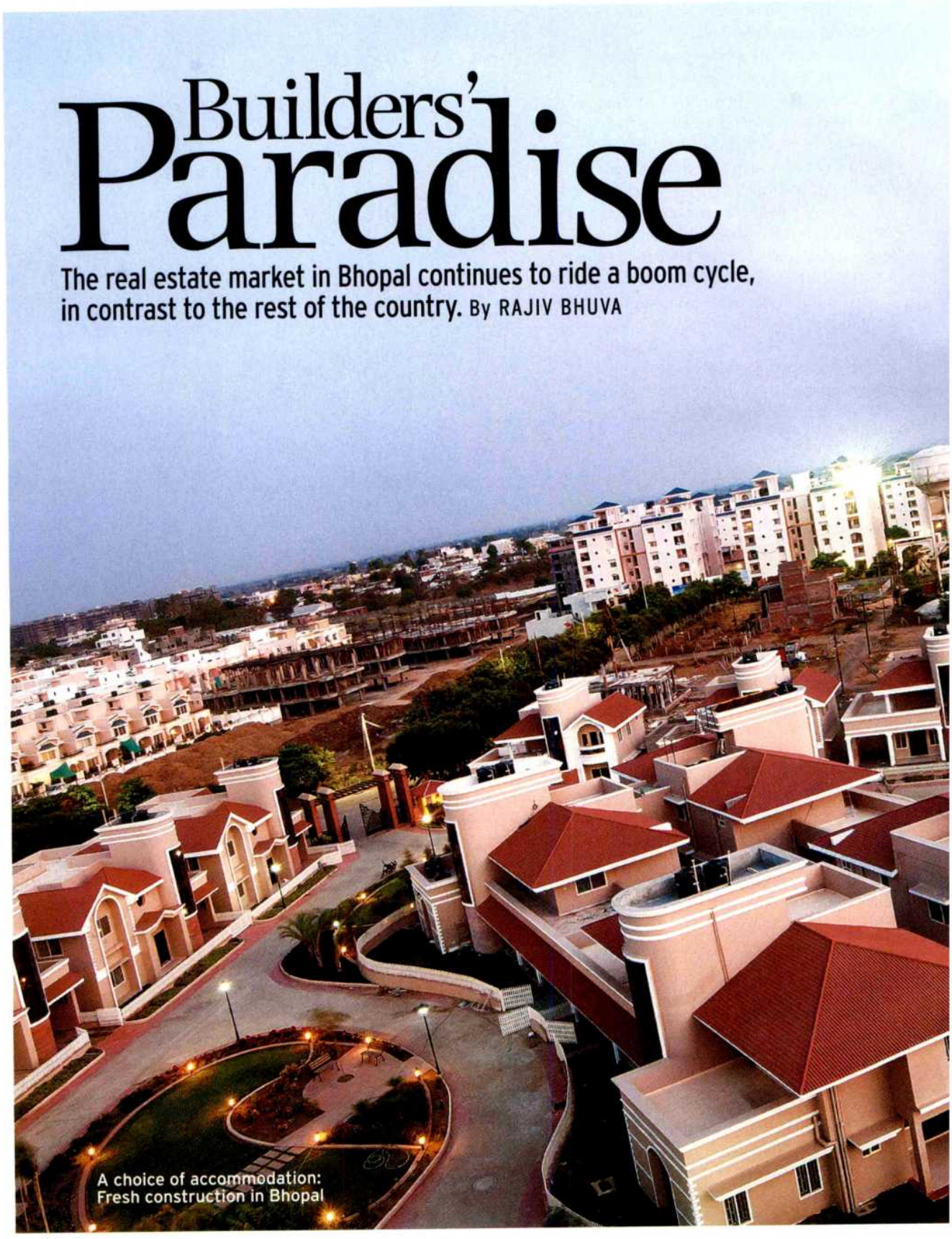
FIRST CLIENT: Robots Alive

CLIENTS: 150

COMPETITORS: Tally and other desktop software

Builders' Paradise

The real estate market in Bhopal continues to ride a boom cycle, in contrast to the rest of the country. By RAJIV BHUVA



A choice of accommodation: Fresh construction in Bhopal

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

In public memory the name 'Bhopal' will forever remain associated with the gas tragedy, the world's worst industrial disaster that killed and maimed thousands 26 years ago. But there is much more to the capital of Madhya Pradesh, and one of its most intriguing features of late has been the way its realty sector has defied the trend prevailing in the rest of the country. At a time when real estate is reeling under the impact of a series of body blows – interest rates climbing higher and higher, scarce capital, a volatile Sensex, all of which are scaring away buyers – Bhopal seems entirely unaffected.

Even today, every other large hoarding in this town of 2.9 million advertises real estate projects. The demand is so great that Bhopal has no need for brokers to go out and woo customers – buyers in their thousands flock directly to the developers. "The last four quarters have been phenomenally good," says Lt. Vinay Bhadauria, Managing Director of realty company IBD Universal. "In Bhopal, we clocked sales of ₹150 crore in the last financial year."

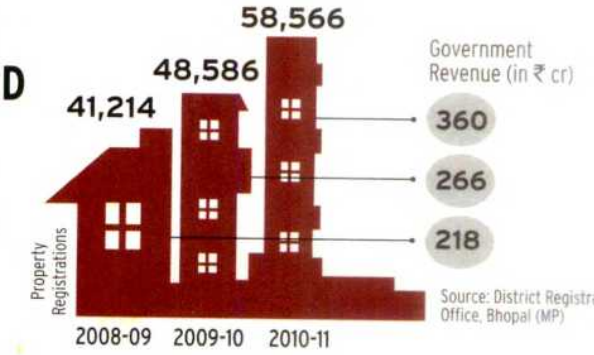
Bhadauria's sentiment is echoed by most other developers working in Bhopal. "We had phenomenal growth in the past year," says Rishabh Mahajan, Director, Ruchi Realty Holdings, part of the ₹14,000-crore, Indore-based Ruchi Group. Global realty investor Sun Apollo Real Estate Advisors has acquired a 45 per cent stake in one of Ruchi's projects, Ruchi Lifescapes, being built over 85 acres at Jatkhedi, on Bhopal's outskirts. This is Sun Apollo's first investment in a non-metro city in India. "They are very happy with their decision to invest here," says Mahajan. Naturally, since 55 per cent of the project is already sold, and it has already started paying back residual earnings to the promoters. Leading realty company Unitech too has a joint venture in Bhopal under its low cost brand, Unihomes.

Records at the district registrar's office reveal that in the last three years, there has been a 42 per cent growth in the number of title deeds registered, from 41,214 in 2008/09 to 58,566 in 2010/11. Revenue from housing deals through stamp duty and registration charges has risen 65 per cent in the same period. Currently, there are more than 50 construction projects in Bhopal, which will supply 40,000 housing units in the next two years. "There is a boom in Bhopal. Land and property prices have gone up manifold," says Nikunj Kumar Shrivastav, Bhopal's Collector.

But rising prices – at around 15 to 20 per cent per annum – have in no way dampened demand. Indeed the boom continues despite Shrivastav's office having steeply increased the 'guideline values' as well for localities in Bhopal – the minimum price at which a property in a particular area can be sold, akin to the circle rates in Delhi and other cities – by two to seven and a half times from April 1 this year. "We took the

BUCKING THE TREND

Property registrations have risen 42 per cent in three years.



step after a detailed survey," says Shrivastav. "This will mean more revenue for the government apart from reducing the amount of black money in real estate."

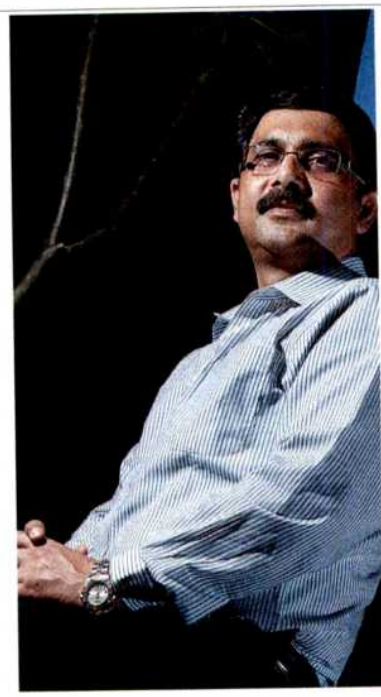
The reason for such contrarian behaviour lies in the surge of development that has come to Bhopal in recent years. Industry is growing rapidly. Apart from the sprawling plants of the state owned Bharat Heavy Electricals Ltd, or BHEL, and the Bhilwara Group owned HEG, both of which were set up decades ago, the industrial cluster of Mandideep, 20 km south of Bhopal, houses the factories of, among others, Crompton Greaves, Lupin, Procter & Gamble, Parle Agro, and the Vardhaman Group.

Lupin has one of the country's biggest pharmaceutical facilities at Mandideep spread over 65 acres. The company selected the area for its operations in 1997 because of its infrastructural strengths. "That, coupled with the availability of skilled manpower makes it an ideal location," says Ramesh Swaminathan, President, Finance and Planning.

The government is also trying hard to develop Bhopal into an educational hub, *à la* Pune. The city already has 74 engineering colleges and five medical colleges. The All India Institute of Medical Sciences has set up a branch here, as has the National Institute of Fashion Technology. There is more to come: "The state government has earmarked 400 acres of land for educational institutions," says Shrivastav. All this activity is bringing thousands of newcomers to Bhopal – all of whom need homes.

No doubt there is a key difference between the real estate market of Bhopal and those of the metros: the prices are not in the same league.

It is still possible to buy a well constructed, semi-detached house in Bhopal at the rate of ₹2,000 to ₹2,500 per sq. ft (₹22,000 to 28,000 per sq. m), or an apartment for between ₹ 1,750 and ₹2,250 per sq. ft. Even in high-end projects, the market rate is around ₹2,600 per sq. ft. In comparison, the circle rate for residential properties is Delhi's expensive areas – which is well below the market rate – is ₹7,740 per sq. ft. Land in Bhopal costs about one tenth of what it does in the metros, and overall profit margins too are far more modest. "We are on an entirely different platform from the metros," says Sunil Moolchandani, Chairman of the Chinar Group, a prominent real estate group in the city. "That has kept most of the large national players away and prices are growing in a controlled manner."



"The past four quarters have been phenomenally good. In Bhopal, we clocked sales of ₹150 crore"

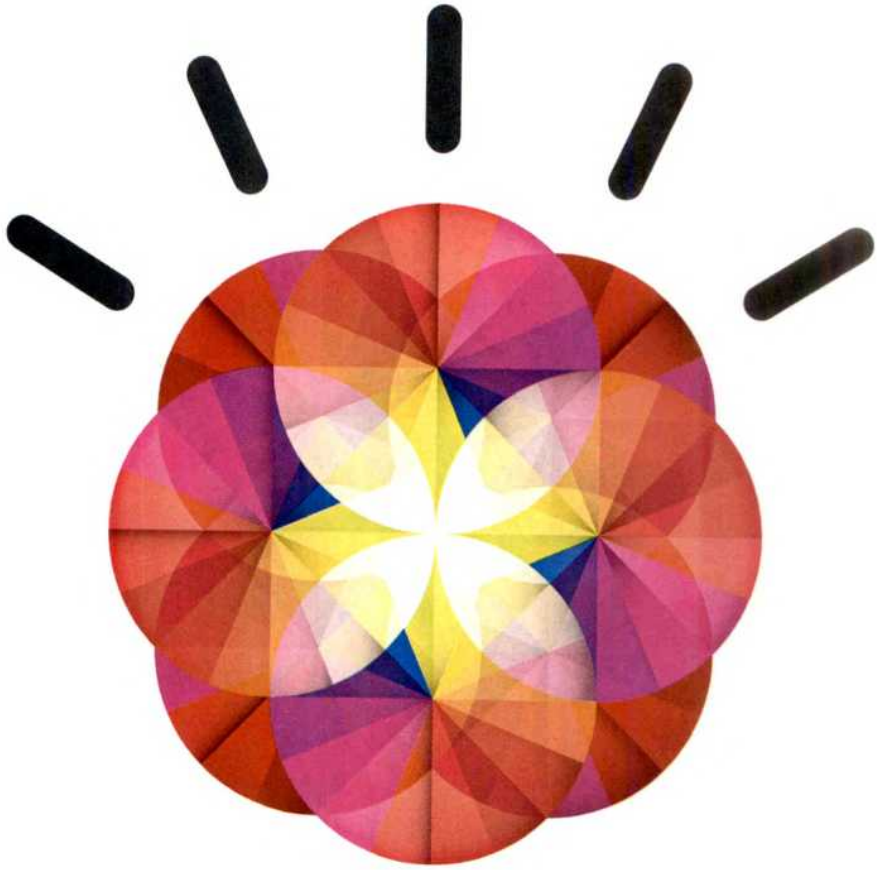
Vinay Bhadauria, Managing Director, IBD Universal

The absence of big players, many feel, is a blessing in disguise as such companies artificially jack up real estate prices beyond the reach of the majority of consumers in smaller cities like Bhopal. Vineet Singh, Business Head of online real estate agent 99acres.com, notes that it was precisely this phenomenon that sent property prices shooting up in the cities of Lucknow and Kochi which ultimately boomeranged on the industry. "The developers in these markets are feeling the pinch," he says.

Moderate prices have gone in Bhopal's favour and kept the boom going, mitigating the impact of rising interest rates. "Affordable prices correct the impact of rising interest rates," says Ajay Mohgaonkar, co-promoter of local realty firm Fortune Builders.

"Bhopal offers lessons for value engineering," says Gulam Zia, National Director, Research and Advisory Services, of real estate agents Knight Frank (India). He believes property prices in Bhopal are just right and there will be no correction. "The market in small towns like Bhopal never experienced either the property boom of 2006/07, or the correction that followed due to the global financial downturn in 2008/09," says Abhishek Kiran Gupta, Head of Research at real estate services company Jones Lang LaSalle. Both these trends were primarily confined to the metros and the emerging boom cities like Hyderabad and Pune.

Some experts, however, sound a note of caution. "The depth of the market has to be seen," says Anshuman Magazine, Chairman and Managing Director, South Asia, of realty firm CB Richard Ellis. "Bhopal might see construction growing at a good pace, but large scale projects are unlikely." But with infrastructure set to improve further – Bhopal airport will soon turn international, and the water supply to the city is being enhanced – such fears may prove groundless. ◆



Smarter computing builds a Smarter Planet.

Smarter comes to computing.

Today, everything computes. Intelligence has been infused into things no one would recognise as computers: appliances, cars, roadways, clothes, even rivers and fields. This is the daily reality of a Smarter Planet.

Realising its promise, however, will require more than infusing computation into the world. We also have to make computing itself smarter.

Remarkable levels of computer intelligence are being reached - with inventions such as Watson, the IBM system that defeated the two all-time champions on America's biggest TV quiz show Jeopardy! But most organisations' computing infrastructures were simply not built for zettabytes of data (A zettabyte is a 1 followed by 21 zeros), global connectivity and advanced analytics.

Thankfully, a new, smarter computing model is emerging. It is designed for data. It is tuned to the task. And it is managed in the cloud.

Designed for data: Organisations of all kinds need to manage streams of text, images, sensor-generated impulses and more. They need to apply sophisticated analytics to the real languages of commerce, including social media. Which is why today's leading companies are building new systems and processes that locate, recognise and interrogate big data.

Tuned to the task: Transaction processing is different from business analytics, with multiple data types and complex queries, which is different from the need to integrate content, people and workflows in a company's processes. That's why leaders are moving to architectures optimised for specific purposes, and built around their own deep domain knowledge - in whatever field.

Managed in the cloud: The need to manage these large data-driven workloads is driving broad adoption of cloud computing. By infusing clouds with security and manageability we can make them smarter, providing companies with the agility to move quickly in highly competitive environments; to activate and retire resources as needed; and to manage infrastructure elements in a dynamic way.

When major computing models change, they unleash enormous productivity, innovation and economic growth. So the good news is that smarter computing is now shifting from theory to reality.

Let's build a smarter planet. Join us at **ibm.com/smartercomputing/in**

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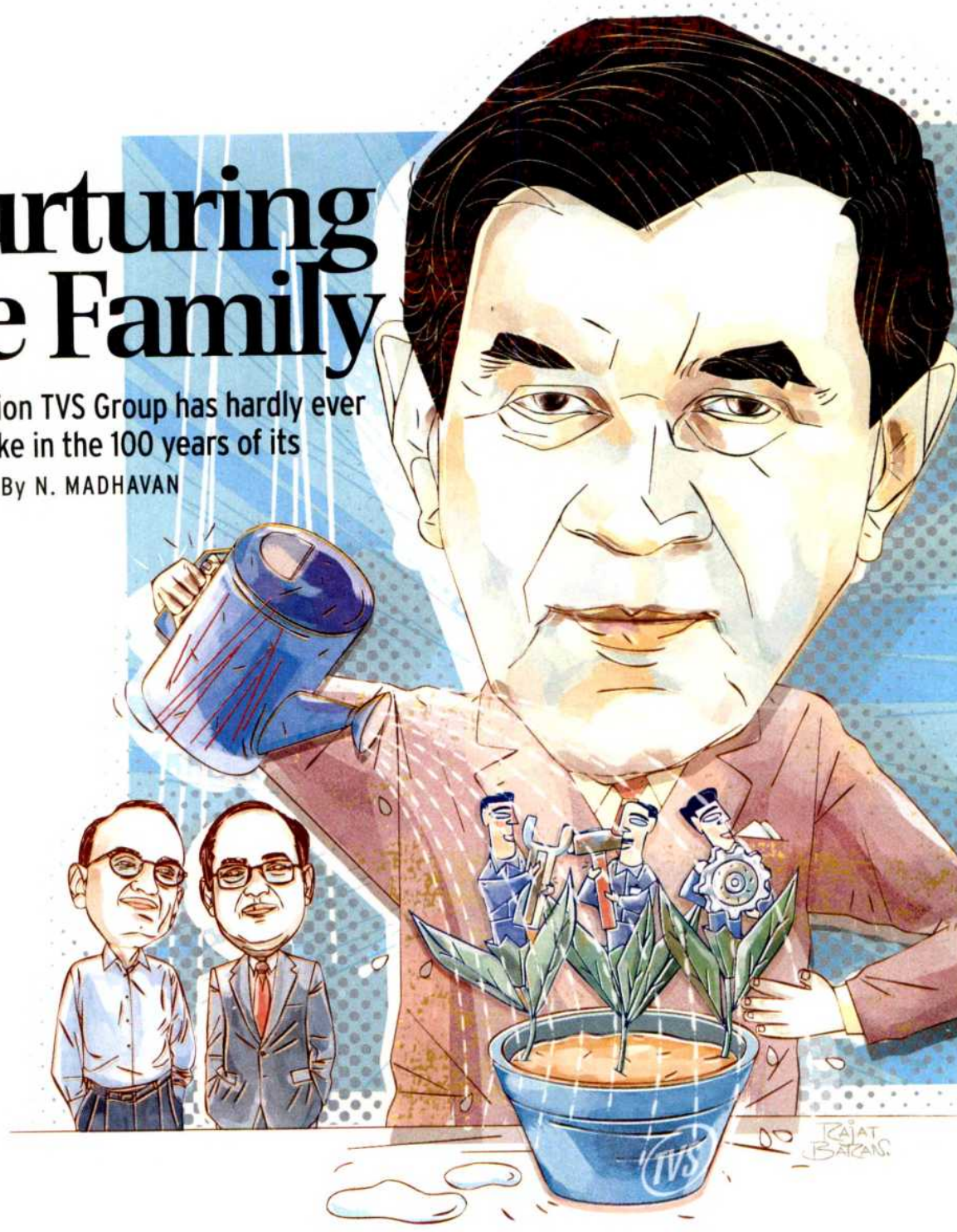
Nurturing the Family

The $4-billion TVS Group has hardly ever seen a strike in the 100 years of its existence. By N. MADHAVAN



It is a 100-year old group with a unique achievement – it has never faced a serious labour problem. The first company of the group, TVS & Sons, set up in 1911, has a strike-free record. So do most of the other 30-odd companies, including Sundaram Finance (started in 1954), Wheels India (1962), Sundram Fasteners (1966) and Sundaram Brake Linings (1975). Only four companies have faced one strike each – Sundaram Clayton, Lucas TVS and Brakes India were briefly hit by a strike in 1977, while TVS Motor Co. shut down for a few days in 1992. But all these strikes were triggered by external factors, such as the efforts of

rival political parties – most TVS unions are affiliated to the Indian National Trade Union Congress, or INTUC, the trade union wing of the Congress party – to take control of them.

Industrial relations at TVS are indeed extraordinary. Soon after Independence, for instance, the then undivided Communist Party called a nationwide strike, shutting down production for three days. But employees at the TVS workshop in Madurai chose to lock themselves inside the premises – as travelling back and forth might have invited reprisals – and continued to work.

Nearly 60 years later, during the global financial crisis of 2008, the management at TVS & Sons sought to temporarily reduce workers' wages, but left it to them to decide how much they would forgo. Far from protesting, employees agreed; while the management had expected a five per cent reduction proposal, the employees sprang a surprise by suggesting a 15 per cent cut. "The company has always stood by us. We saw this as an opportunity to help it tide over a temporary crisis," says S Ramasamy, manager, IT Systems, TVS & Sons. When the downturn ended, the pay cut was restored.

HARMONY MANTRA

- Treat employees like family
- Put employees' interests ahead of the company's
- Constantly communicate with employees to build trust
- Always honour assurances given to employees
- Involve employees while taking major decisions
- Empower employees at work
- Condone errors of judgement but punish dishonesty
- Extend relationships with employees beyond work
- Adopt an open-door policy
- Do not pressure employees to engage in unethical acts

Rules of engagement

This unique relationship with its employees has played a significant part in transforming the TVS Group from a small family business running a rural transport service in the temple town of Madurai in southern Tamil Nadu into a $4-billion (₹18,000-crore) conglomerate with a wide range of business interests — from auto components, scooters and auto-rickshaws, to financial services and logistics. The group, with 25,000 employees, has operations spread across India, the United States, Europe, Indonesia and China.

The relationship has been fostered by the management's conviction that its employees are not just workers, but members of its extended family. "I make it a point to directly interact with workers across all our factories at least three times a year. A frank interaction helps build enormous trust," says Suresh Krishna, Chairman and Managing Director at Sundram Fasteners. Venu Srinivasan, chief of TVS Motor – one of India's largest two-wheeler makers – too says he has been following the same practice for two decades. The interaction is followed up with concrete action in redressing workers' grievances and looking after their needs.

The group has also always been ahead of the pack in providing workers' benefits. It started a provident fund scheme in the early 1940s, before it became mandatory for private companies, after the Provident Fund Act was passed in 1952. Similarly, it began paying gratuity to its employees from the mid-1960s though this became statutory only from 1975. It has always striven to give as much bonus as possible – much more than the legal minimum requirement of 8.33 per cent. "We have paid maximum bonus for many years, even when we did not have enough profits," says Krishna.

Other employee welfare efforts include a health food section started recently at the Sundram Fasteners factory canteen – providing only health food at subsidised prices. Indeed, all the TVS Group companies ensure their employees consume healthy food at the workplace: the choice of cooking oil, the quality of the rice used and the quantity of spices used at office canteens are all monitored closely.

Long-term relationship

The TVS Group's relationship with an employee does not end once he retires. "I worry about the employees even after they leave. They are still part of the family," says Srinivasan. Members of the top management meet employees when they retire; HR departments of the group companies help them plan their post-retirement finances. If an employee dies while in service, his dependents get not only his dues, but also the proceeds of a 'death fund' cre-

ROLE MODEL UNDER THREAT

B. SANTHANAM
President, Flat Glass, South Asia & Egypt and MD, Saint Gobain Glass India. He is also chairman, CII-National Committee on Human Resources

CEOs like me have always looked up to the TVS Group as a role model, especially while setting up a greenfield factory. In fact, we closely studied the genetic blueprint of a TVS factory in 2000 when we set up the World Glass Complex at Sriperumbudur. Excellent labour relations, total employee involvement, ability to develop outstanding engineer leaders, well-directed corporate social responsibility, harmonious relationship with society and high ethical norms – all this achieved through business and financial prudence, is indeed exceptional.

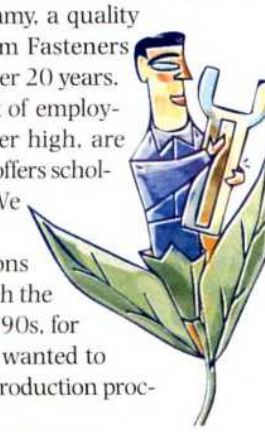
I am sure the group will face challenges in the near future. Indian society has changed. People are now more aspirational. Stability is no more an issue and employees prefer an accelerated financial and career growth. This is particularly true of the junior and middle management who are in great demand and TVS companies are a fertile hunting ground. Given this scenario, the TVS model needs to be tweaked to manage aspirations and changing norms. Also, the TVS Group traditionally separated industrial relations (for union workers) and human resources development (for others). These are not

"The model needs tweaking to manage changing norms"

separate anymore. A mindset change is required to accept this. That apart, TVS Group companies have been traditionally strong in process discipline, engineering excellence, customer centricity, cost control and conservative business judgement. Today, innovation has become central to any business and it has strong links to diversity – gender, culture, experience and age. It is here the fourth generation of family and professionals have to bring in their expertise and ensure that the group becomes a hotbed of innovation. Given that the group has for a100 years withstood many a change – Independence, socialist ideas and the liberalisation of the economy – I am sure it will overcome the present challenges and move to the next level.

ated for him, to which every employee of the company concerned contributes a day's salary and the management matches the contribution. "We keep asking employees if they are happy at work," says R. Dinesh, Joint Managing Director, TVS & Sons.

Are they? "The management is very pro-active on our behalf," says S. Chinnasamy, a quality control inspector at Sundram Fasteners who was a union leader for over 20 years. "Medical costs, including that of employees' family members, however high, are borne by the company. It also offers scholarships for our children. We cannot be in safer hands."



Not surprisingly, the unions too are ready to cooperate with the management. In the early 1990s, for instance, Sundaram Clayton wanted to make major alterations in its production proc-

Keeping its labour force happy has benefited TVS – the first four Indian companies to win the prestigious Deming Prize were all from the group

ess which would have required a single worker to handle several machines. Unions then were committed to the principle that a worker should only specialise in handling one kind of machine. "But our union agreed to the new work process when the need for the change was explained. It did so without asking for any additional benefit for the workers," recalls Srinivasan.

Again, while most labour unions invariably protest if the management takes punitive action against unproductive or errant employees, TVS unions identify such employees on their own, and seek to correct them. If they fail, they themselves bring the worker's conduct to the notice of the management.

There are other intangible reasons as well for their happiness. "Errors of judgement are condoned while dishonesty is dealt with severely here," says T.T. Srinivasaraghavan, head of Sundaram Finance – a financial services company with over 500 branches and an asset base of ₹12,000 crore.

Employees here enjoy rights rarely provided elsewhere: at Sundaram Finance, for instance, all executives who have worked for four years or more have the authority to sanction loans. The TVS Group also avoids lateral recruitment at senior levels, thus offering ample opportunities for career advancement within the companies.

"The last time I recruited a senior person was 15 years ago," Srinivasraghavan adds. Himself a professional recruit, the Sundaram Finance head joined the company 28 years ago from the banking sector.

Keeping its labour force happy has benefited TVS in many ways. The first four Indian companies to win the Deming Prize, a prestigious international award for total quality management, were all from the TVS Group — Sundaram Clayton, Sundaram Brake Linings, Brakes India, and TVS Motor.

With cooperative employees, TVS companies have had no problems introducing modern manufacturing practices such as total quality management, total productive maintenance and lean manufacturing, enabling them to compete better. Sundram Fasteners was a consistent winner of the best global supplier of the year award from General Motors for years till a change in classification excluded it from qualifying.

Attrition levels at the group are low as well. Wheels India, for instance, has an attrition level of 10 per cent against the auto component industry's average of well over 15 per cent. Sundaram Finance's attrition is about eight per cent; the financial services sector's levels are almost twice that. Sridhar Ganesh, Director, HR, Murugappa Group, another family run conglomerate based in Chennai, acknowledges that the TVS group fosters mutual respect, dignity and transparency, "the core values for building a lasting relationship". "Very few companies have achieved this," he adds.

Future uncertain

Will the bonhomie last? Nurturing a familial relationship is getting increasingly difficult as the group grows in size and geographical spread. TVS's paternalism worked in Tamil Nadu but will it be accepted in other parts of the country or outside? "It cannot be replicated elsewhere. We have to find other ways," says Srivats Ram, Managing Director of Wheels India.

"The employees of today are different. Their loyalty is not very deep and they resent a paternalistic approach. They expect the workplace to be innovative, attractive and progressive, or else they leave," says Arathi Krishna, Joint Managing Director, Sundram Fasteners and daughter of Suresh Krishna. However, her own experience belies the fears of TVS managers. She has partially succeeded in her efforts to inculcate TVS values at the company's manufacturing facility in China's Zhejiang province. After initially grappling with large-scale attrition – private sector Chinese workers are notorious for switching jobs for a few dollars more – the company has been able to win over employees, and most of them have stayed on for more than five years now.

"Looks like there is some universality in what the TVS Group practices," says Arathi.◆

STANDS FOR TRUST, VALUES

SHEKHAR ARORA
Executive Director (Human Resources), Ashok Leyland Ltd

The mere mention of TVS invokes confidence and respect. You associate quality and good human relations with TVS. Most of us will easily grant that the company stands for trust, values and services. TVS is like one big family which pursues common goals, shares the good and the bad times, and stays together. The strikes in 1977 and 1992 were aberrations in an otherwise impeccable record of good human relations.

In fact, I do not always view conflicts in a negative light. When conflicts are well resolved, all stakeholders emerge stronger, have better understanding and accommodate one another better. These aberrations were possibly the stepping stones for long-lasting human relationships at TVS, based on mutual understanding and respect. Among all the right things, let us not lose sight of one principle aggressively pursued at TVS – "Efficiency and success drive all goodness". To be employees of a successful organisation gives both the TVS management and the workers a sense of pride, enhanced self esteem and status in society. They continue to do their best to live up to this status. TVS has to change gears to align itself with the new world of

"The group must change gears to align with the new world"

work and new-age employees who do not hesitate to follow the religion of the '3Ss' – surfing, searching and switching.

TVS must also recognise the fact that younger talent is moving away from the "good care" to the "great opportunities" realm. In fact, young people do not place much premium on loyalty anymore. Dinesh sums it up aptly when he says the challenge would be to "modernise our culture without losing the old values".

I am confident that given the value of experience and the youthful vibrancy of the fourth generation entrepreneurs within the TVS fold, the group will continue to add new chapters to the ongoing success story.

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Innovation's Holy Grail-II

Companies can do more with fewer resources for more people by following a few simple rules.

By C.K. PRAHALAD and R.A. MASHELKAR

In the first part of this article, which Business Today *published in its May 15 issue, the authors described the factors that have led to a new kind of innovation in emerging markets like India. The concluding part of the article describes the models of Gandhian innovation and lists the principles that every company must adopt to get innovation right today.*

Innovations That Synthesise Technology

Some Indian organisations have combined cutting-edge technologies to create new capabilities, in certain cases for the first time in the world. They are scaling rapidly but keeping costs low by using innovative financing methods such as public-private partnerships. These companies often draw on the knowledge base of specialised institutions overseas and set the standards in India even as they develop unique research capabilities. Consider medical emergency management – in particular, the 911 service in the US that prompts an ambulance to arrive at your doorstep the moment you need it. Several ambulance companies operate in large cities like New York and Los Angeles, and while they serve people well, they remain small and invest little in innovation. Because no such private entity existed in India, the Raju brothers – now in jail for embezzling funds from Satyam Computer Services – set up the Emergency Management and Research Institute, or EMRI, in 2004. Taken over by GVK, another Indian business group, EMRI has woven together the latest telecommunication, computing, medical and transportation technologies to provide affordable (read: mostly free) emergency services in tribal, rural, and urban areas.

Given India's environment, the organisation has innovatively tackled the physical, cultural, and language barriers that impede its ability to deal with emergencies. Getting Indians to recognise an emergency and call 1-0-8 for assistance is a major hurdle. For example, when a woman goes into labour in India, seeking medical care may not always be the knee-jerk response, since many women give birth at home. Through its research, EMRI has learned that 10 per cent of Indians face emergencies but either don't recognise them as such or have nowhere to call. In addition to providing a number to

call, the organisation has developed programmes to teach Indians to recognise and react to emergencies.

Unlike its Western counterparts, EMRI has designed its ambulances, trained its paramedics, and most important, built a unique information and communications technology infrastructure. At the heart of that infrastructure is a computer network supported by a call centre in each state, where 200 operators receive 1-0-8 emergency calls and direct 4,000 field staff members to respond to them. The Emergency Relief Operators follow a clear process to determine if a call is an emergency and, if so, whether it is a medical, police, or fire emergency. The goal is to help victims survive the golden hour, the first 60 minutes, since 80 per cent of deaths in hospitals take place in the first hour of admission.

India doesn't have reliable GPS-based mapping, so the primary critical task is to pinpoint the emergency's location. The Emergency Relief Operators route ambulances using dynamic optimisation algorithms based on the nature of the emergency, its severity, and the ambulances' locations. After an officer dispatches an ambulance, she or he calls the medical technicians in it to give them health-related data, connects one of the technicians with the caller, and leaves them talking so the distraught caller is never alone before the ambulance gets to the spot. The operators execute this task in 80 to 90 seconds, but the organisation hopes to reduce that time to 60 seconds. EMRI keeps innovating: One recent experiment consists of sending a team ahead on a two-wheeler, which slides through traffic faster than an ambulance could, enabling critical care to start sooner.

EMRI started out on the assumption that a public-private partnership would be essential for its functioning. In India, the government owns most hospitals, so EMRI has to work with the state as well as the fire and police departments. Furthermore, it recognises the importance of government support in educating people. To ensure that policy makers and bureaucrats don't interfere, EMRI is a private

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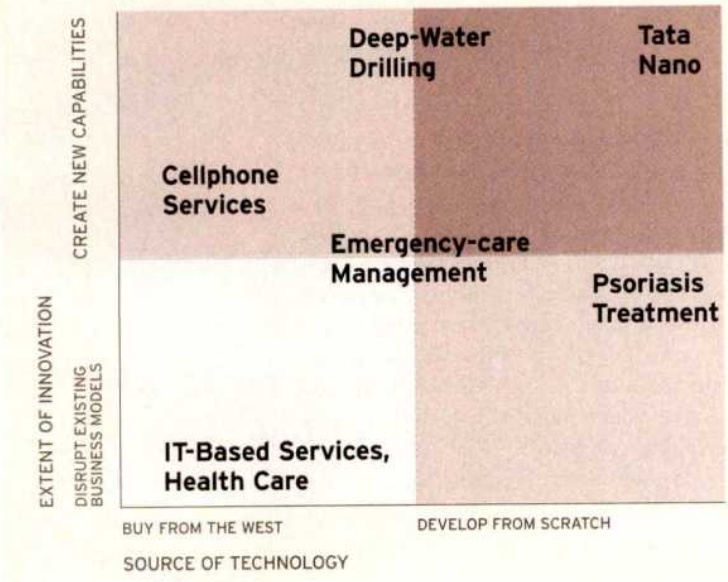
Innovations in India

Gandhian innovators solve problems in two key ways: by acquiring or developing technologies and by altering business models or capabilities. In India, IT-based software and service providers used off-the-shelf hardware from the West but devised new ways of organising work. Tata Motors focused on technology as well as capabilities when it set out to create the world's cheapest car: It worked with several companies to develop components that would fit the Nano's specifications.



foundation in legal terms, although 95 per cent of its funding comes from state governments. Partnerships and alliances are a strategic focus. EMRI collaborates with organisations in the US such as the National Emergency Number Association, the American Association of Physicians of Indian Origin, Carnegie Mellon University, Shock Trauma, the American Academy for Emergency Medicine in India, and Stanford University (with which EMRI has developed a two-year postgraduate degree in emergency care), as well as Singapore Health Services and Germany's Geomed Research.

Over the past four years, EMRI has expanded rapidly, offering its services to 366 million people in Gujarat, Uttarakhand, Goa, Chennai, Rajasthan, Karnataka, and Assam, which makes it the world's largest emergency-management entity. EMRI handles 60,000 to 80,000 calls a day, has a fleet of 2,600 ambulances, attends to 7,000 emergencies a day, saves 110 lives a day, and employs 11,000 people. Against a target of reaching patients in 30 minutes, EMRI reports an average response time of 14 minutes in cities, 31 minutes in rural villages, and 28 minutes in tribal areas. EMRI spent only 50 cents per person treated to build the infrastructure in India, compared with $100 in the US. The expense per ambulance visit is less than $15, versus $600 to $800 in the US.

As the only emergency responder in the world with a research institute, EMRI is at the forefront of identifying ways to improve knowledge and practices and is becoming the best source of information for emergency care. It archives all the calls it gets and has analysed the data to compile regional public health profiles. For the first time in India, data on the seasonality, timing, and nature of medical emergencies are available. EMRI is also developing ways of passing information from ambulances to hospitals before victims arrive, particularly in the cases of cardiac problems, traffic accidents, pregnancies, snakebites, and suicide attempts. Indeed, its research capabilities are changing the way many countries think about emergency-care management.

Innovations That Yield New Technologies

Many Indian companies have invested in developing new products or services, but their goal is usually to create inexpensive offerings on shoestring budgets. They succeed only because they challenge conventional techniques.

Traditionally, the development of pharmaceuticals starts in a laboratory and moves to a clinic through a complex system of validation and testing, as we all know. This can take 10 to 12 years and can cost more than $1 billion. In order to identify medicines more quickly and cheaply, Indian policy makers and scientists are trying to reverse the process. They are asking what would happen if, instead of going from laboratories to clinics, companies went from clinics to laboratories and then back to clinics. The idea is to use clinical and qualitative data to develop target formulations that undergo preclinical and clinical research trials.

For example, around two per cent of the world's population suffers from psoriasis – a recurring inflammatory skin disorder – and patients spend approximately $5 billion a year on treatments. Monoclonal antibody treatments, which cost $15,000 to $20,000 for a

course, are effective but beyond the reach of most Indians. When Lupin, one of India's well-known pharmaceutical companies, announced its interest in developing herbal-based medicines, a practitioner of a traditional branch of Indian medicine called *Siddha* approached the company with a cure for psoriasis. On the basis of knowledge handed down in his family for generations, he claimed that the juice of the *Argemone mexicana* (Mexican poppy) would cure the disease completely.

There was no clinical evidence for the claim, but Lupin collaborated with the practitioner, developed a formulation, and started the first trials in early 2000. Dermatologists used quantitative measures such as the Psoriasis Area and Severity Index to assess success. Patients who took the herbal medicine not only were cured but also did not suffer a relapse for the next three years. In January 2003, the government offered to fund the next stage of the project and arranged partnerships with two state-owned research organisations, the Central Drug Research Institute and the National Institute of Pharmaceutical Education and Research.

These organisations developed the drug in three phases, according to US Food and Drug Administration guidelines. The first step was to identify the active elements to gain insights into how the treatment worked and to create a safe oral antipsoriatic formulation that would lead to curative and preventive therapy. Once the safety and toxicity studies were complete, the Drug Controller General of India approved the drug for trials. The key objective at that point was to determine the right dosage levels. The drug went through a clinical study that used healthy adults in the first phase. In the second phase, which ended in April 2007, the safety and efficacy of three different dosages were tested on patients with moderate to severe psoriasis. Lupin completed the third phase – the final multicentric, randomised, parallel-group studies – in March 2010, and it plans to launch the drug before the end of the year.

So far, the Indian company has spent $10 million and eight years to develop a cure for psoriasis – a fraction of the money and time it would have normally taken. Moreover, treating the disease with Lupin's drug will cost $100 per patient, compared with $15,000 in the US. In general, the Indian market is large in volume and low in value compared with the US. For example, Pfizer sells Lipitor for 90 cents in India, as opposed to $2.70 in the US, because the Indian equivalent, Ranbaxy's Atorvastatin, sells for 90 cents. Unsurprisingly, reverse pharmacology is gaining ground, with local companies chasing multiple leads for treating cancer, arthritis, hypertension, diabetes, and osteoporosis, among other health problems.

Rules for Gandhian Innovation

Contextual factors have undoubtedly facilitated the growth of Gandhian innovation in India. One, the country's political leaders experimented with socialism for more than four decades, which kept out foreign capital and technologies, particularly from the US, but spurred local invention. Indian engineers, backed by government funding, developed nuclear weapons, rockets, imaging techniques, supercomputing, and weather modelling by depending only on their own ingenuity. Two, the Indian economy did not start growing until the 1990s, so local companies are small. For example, in 2008 India's then-largest pharmaceutical company, Ranbaxy, made $800 million in revenues – 60 times less than the $48.2 billion Pfizer brought in, and nine times less than what the US giant budgeted for research. Indian entrepreneurs have a penchant for undertaking small projects and using capital carefully. They have changed their approach to scale since 1991, but they maintain an unwavering focus on capital efficiency. Three, local companies know that while India has both rich and poor people, catering only to the rich limits their market. Most target the aspiring middle class family, which lives on $5,000 a year. As a result, they are forced to develop value-for-money products and services by changing the price-performance equation. And four, entrepreneurs, the most important driver of India's innovation mind-set, have had the audacity to question received wisdom. With increasing frequency, these leaders are rejecting established ways of doing business in favour of new practices. The mix of minuscule research budgets, small size, low prices, and big ambitions has created the need to think and manage differently.

However, it would be wrong to conclude that only companies in India can develop Gandhian innovations. Enterprises anywhere in the world can do so by modifying the philosophical underpinnings of their innovation processes. CEOs must follow five cardinal principles to get innovation right today. They must say:

CREATE NEW TECHNOLOGIES

The pharmaceutical company Lupin reversed the usual drug development process – that is, it gathered clinical data before running lab tests – to create an affordable treatment for psoriasis. It came up with an effective formulation for a fraction of the money and time it would have normally taken.

Getting Innovation Right

1. Develop a deep commitment to serving the unserved
2. Articulate and embrace a clear vision
3. Set very ambitious goals to foster an entrepreneurial spirit
4. Accept that constraints will always exist, and creatively operate within them
5. Focus on people, not just shareholder wealth and profits

My goal is inclusive growth. CEOs must develop a deep commitment to inclusive growth, which will force them to think of unserved customers, be they rural poor who don't have access to telephones or urban poor who don't get emergency medical services. A focus on inclusion challenges executives to push price-performance envelopes to ensure affordability, and to think about increasing scale to lower costs. The starting point has to be the desire to serve *more* people, though. Companies often start by asking: "Given our cost structure, which segments can we serve?" They should ask: "Given that we need to cater to the unserved, what should our cost structure be?"

My vision should be unambiguous. Leadership is crucial to building Gandhian innovations in organisations. In all the cases we've studied, leaders such as Ratan Tata (Tata Group), Sunil Bharti Mittal and Manoj Kohli (Bharti Airtel), and D.B. Gupta (Lupin) have articulated clear visions of what they want to accomplish. In addition, their visions always have a human dimension: for example, helping poor Indians travel safely and affordably with their families; using connectivity to improve people's work and lives; and enabling patients to buy cheap medicines. These leaders also engage with project teams constantly, providing a safety net that protects the teams from self-doubt during despondent times and moderates overconfidence.

I must set stretch targets. CEOs must establish ambitious goals and clear time frames for achieving them. Companies should ask: "What is our man-on-the-moon project?" Or, as they do in India's boardrooms: "What is our Nano project?" By creating aspirations that lie beyond the company's existing resources or current approaches to the delivery of products, CEOs will compel executives to be innovative and entrepreneurial. The mismatch between aspirations and resources is the essence of entrepreneurship. Executives then have only two choices: Leverage existing resources in new ways, or change the rules of the game entirely. This process of setting ambitious goals is what C.K. Prahalad has called strategic intent (see *Strategic Intent*, coauthored with Gary Hamel, *HBR*, May-June 1989).

We must learn to innovate even when faced with constraints. Gandhian innovators start by accepting that there are constraints that won't go away. For example, the Tata Nano team assumed several strict parameters – about price, safety and environmental standards, space, and design. Taken together, these formed the Nano's "innovation sandbox": the space within which the design and development teams had to exercise their creativity. (For more on the innovation sandbox, see *The New Age of Innovation*, by C.K. Prahalad and M.S. Krishnan.) Leaders must force project teams to work within self-imposed boundaries that stem from a deep understanding of consumers. That will result in a novel, outside-in view of innovation.

Our focus should be on people. None of the innovators in our research explicitly discussed shareholder wealth or profit maximisation. Their innovation projects had to be profitable and build shareholder wealth, of course, but the focus was always on customers. The language inside their organisations was about consumers as people, suppliers as partners, and employees as innovators. Consider one constant managerial complaint: "At the price levels in these markets, we cannot make profits." This assumes that companies can't lower cost structures, that they can't reduce operating margins, that there's no price elasticity, and that poor people don't have much use for high-tech products. The Indian innovators simply said: "What if we change the way we operate to reduce costs and focus on return on capital employed, not just on operating margins? If we reduce prices enough and make our products available to the poor, won't there be explosive growth as they quickly find uses for and buy our offerings?"

METRICS INFLUENCE managerial behaviour. Gandhian and traditional innovators, we find, use very different measures to evaluate their performance. Most companies focus on profits, operating margins, net present value, time to profit, ownership and control, manufacturing efficiency, intellectual-property-based profits, and known markets. Innovators in developing countries track profits and losses, balance sheets, return on capital employed, cash flow, capital intensity, access and influence, innovation efficiency, volume, and costs – and they concentrate on creating new markets. Which of these two types of companies do you think will win in the new age of global innovation? ◆

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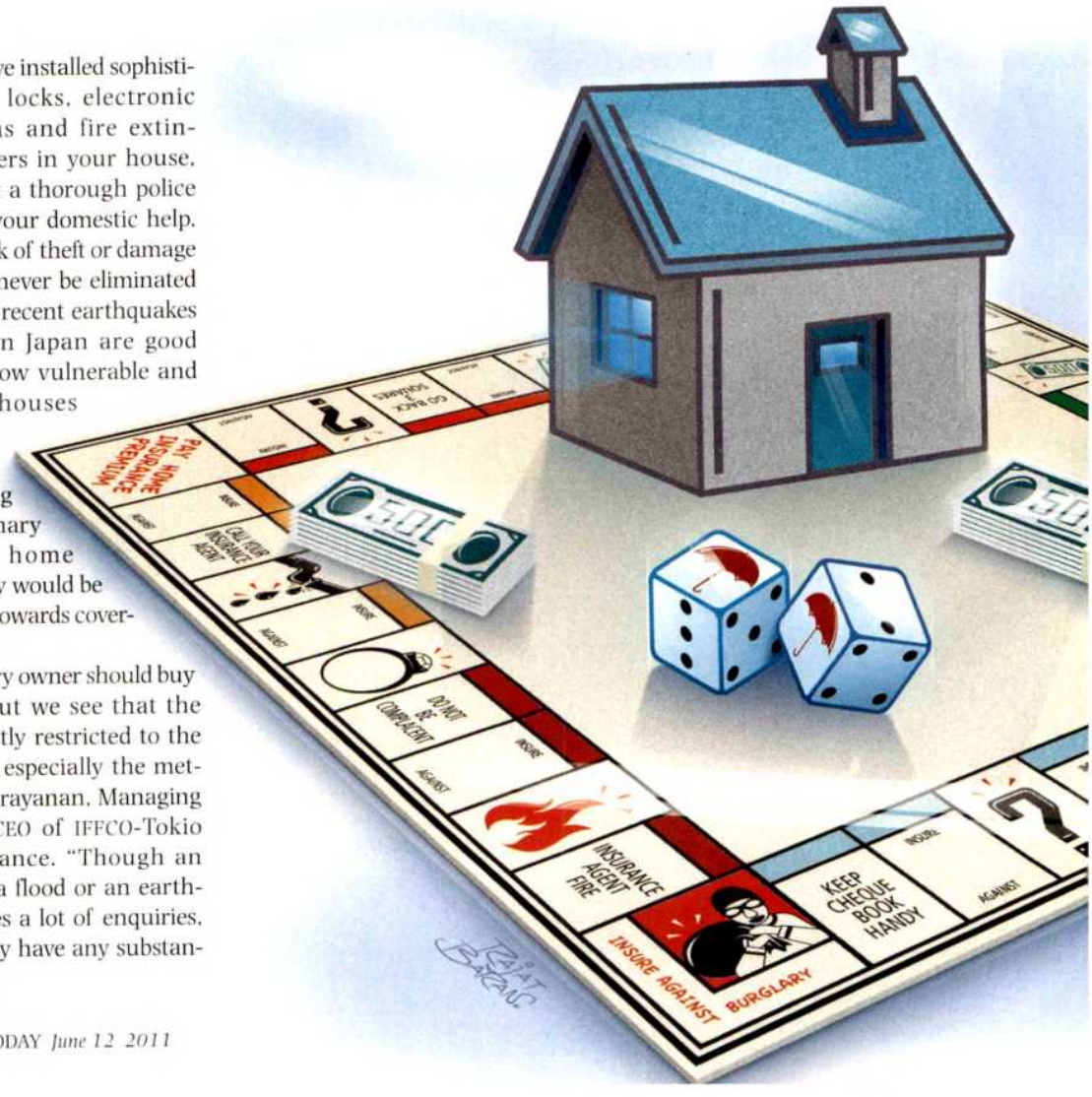
Raise a Strong Protective Wall

People invest huge sums in buying a home, but many make the mistake of forgetting to insure it. By CHANDRALEKHA MUKERJI

You have installed sophisticated locks, electronic alarms and fire extinguishers in your house, and carried out a thorough police verification of your domestic help. However, the risk of theft or damage due to fire can never be eliminated completely. The recent earthquakes and tsunami in Japan are good reminders of how vulnerable and exposed our houses are to natural calamities as well. So, along with precautionary measures, a home insurance policy would be a concrete step towards covering such risks.

"Ideally, every owner should buy this product but we see that the demand is mostly restricted to the urban centres, especially the metros," says S. Narayanan, Managing Director and CEO of IFFCO-Tokio General Insurance. "Though an event such as a flood or an earthquake generates a lot of enquiries, they don't really have any substan-



tial impact on sales," says Karan Chopra, Head of Retail Business at HDFC ERGO General Insurance.

While most people choose the best of décor and appliances for their homes, there is perceptible apathy towards home insurance, with very few recognising the need to buy it. The cost of securing your home and its contents is as low as ₹5 per day for a sum assured of ₹9 lakh. But this policy will play a vital role in recovering your financial losses in case a disaster strikes. "Yet, unfortunately, home insurance policies are the lowest priority for most and are hardly ever a part of people's financial planning," says Tapan Singhel, Chief Marketing Officer of Bajaj Allianz General Insurance. So, if you think it might be worth picking a cover, here are some points to remember when you go shopping for a home insurance policy.

Protecting the Structure

The sum assured for a standard home insurance policy which covers your house against perils such as thefts, floods, fire, earthquakes, malicious damage, etc., has two parts. The first covers the structure while the second insures its content. Keep in mind that insurance policies cover your home for its reconstruction cost and not its market value. The reinstatement value is calculated on the basis of the built-up area and the construction rate decided by your insurer. For instance, if the built-up area of your home is 1,000 square feet and the construction rate determined by the insurer is ₹1,500 per square feet, the sum insured for your house will be ₹15 lakh. "The idea is to get a cover which will be sufficient to rebuild your house in case the structure is damaged," says Yashish Dahiya of Policybazaar.com.

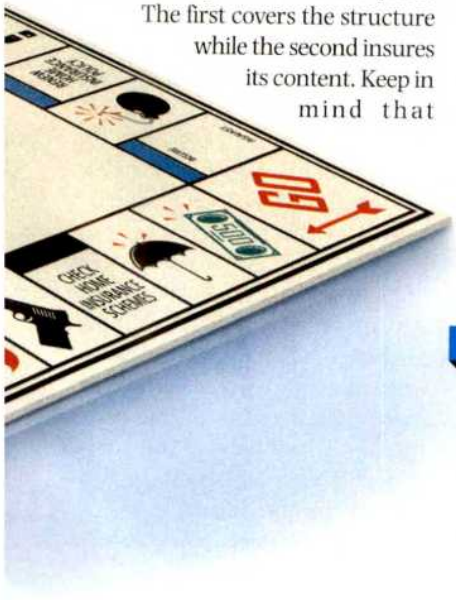
Home insurance policies consider the cost of reconstructing your house and not its market value

Another important factor on which the reinstatement value depends is where the property is located. "Premium rates are standard. However, the actual sum assured may differ from location to location due to difference in the cost of construction," says Sanjay Datta, Head of Customer Service at ICICI Lombard General Insurance. Therefore, if you live in a seismic or flood-prone zone, you might have to pay a higher premium to get the property insured. Moreover, if you have a basement floor, it might be difficult for you to get an insurer to cover it. "Sometimes, insurers are not willing to include basements in the purview of the policy as the degree of risk in insuring a basement is much higher. Also, the maximum cover amount will differ from one company to another," says Dahiya.

Insuring the Valuables

If you live in a housing society with insurance cover or have a rented accommodation, you will not need a policy to protect the structure. However, you must consider buying a home content insurance cover.

The second part of the sum assured of a comprehensive home insurance policy is to cover its contents. This generally includes valuables such as jewellery, electronic equipment, furniture, etc. The sum assured for these assets is calculated on the basis of their market valuation. This means, if there is a loss, the claim will be paid on the value of purchasing a similar new item.



Hardly Expensive

Annual premium for an insurance cover of ₹26 lakh, which includes loss against fire (₹10 lakh), burglary of jewellery (₹5 lakh), loss of electronic gadgets (₹80,000), rebuilding cost (₹10 lakh) and rent cost (₹20,000) in case of total loss

COMPANY	ANNUAL PREMIUM	DURATION (Year)	SPECIAL CONDITIONS
Tata AIG	₹5,272	1	None
Bajaj Allianz	₹6,177	10	None
New India Assur.	₹4,718	1	Jewellery, alternative accommodation not covered
IFFCO-Tokio	₹8,406	1	Electronics more than five years old not covered

Source: Rupeetalk.com

WHAT IS COVERED

- ☑ Fire, burglary, theft
- ☑ Riot, strike, malicious damage
- ☑ Explosion, implosion
- ☑ Earthquake, flood, lightning strike, landslide
- ☑ Damage due to missile testing or aircraft
- ☑ Damage from bursting or overflowing water tanks and pipes, leakage from sprinkler

WHAT IS NOT

- ☒ Loss or damage caused by the insured or his staff
- ☒ Cash, share certificates, other documents damaged
- ☒ Damage to paintings, art works, antiques
- ☒ Loss or damage to any illegally acquired property
- ☒ Loss or damage occurring when the home remains unoccupied for a long period (over 30 days)
- ☒ Section of the house used for commercial purposes

However, 'depreciation' is the word to look out for in this section. "The cost of replacing the lost item will be settled after deducting appropriate depreciation on the basis of the age of the item," says Dahiya. Also, beware of the numerous claim limits. "There are sub-limits to the claims one can make in various sections of the home contents cover segment, though they differ from one insurer to another. Jewellery is one item which generally has a sub-limit of approximately 10 per cent of the total asset cover," says Dahiya. So, if your total content cover is ₹1 lakh, in all you can claim is ₹10,000 for the loss of jewellery.

The exclusion list for this segment is pretty extensive as well. Important items like cash, stocks or bond certificates, antique items, collections and other property documents are never insured by any insurance company. Also, do not expect to get the claim payment in case the damage or loss is caused by your domestic help. None of the companies covers losses where the insured's domestic staff is involved, directly or indirectly. Moreover, if you are working out of your home, the policy will not cover the section being used for commercial purposes. You will need a merchant's policy to insure it.

Upgrade the Cover

Buying a basic home insurance policy ensures that the building and its contents are protected. However, if you read the policy fine print carefully, you might feel the need to extend the scope of coverage beyond the standard protection it gives and fill in the gaps.

The insurance company has fixed the construction rates according to the location of your property. However, do not forget to revise this value appropriately in case expensive material like marble for flooring, or costly woodwork has been used. This also applies if you get some renovation carried out after you have bought the policy. Also, remember to extend the cover if your home is surrounded by a perimeter wall or has a garage. Include its cost of construction in the total sum assured.

To ensure you have enough to pay rent and meet other expenses in case of total loss of your own house, opt for the living expenses cover. "Most insurers provide an optional cover for alternative accommodation for a limited period, which is usually restricted to 30 days," says Dahiya. Some policies also offer cover for the architect's fee, the cost of removing debris, public liability, personal accident and terror attacks but charge additional premium. Select these covers only if you need them.

To ensure you have enough to pay rent in case of total loss of your own house, opt for alternative accommodation cover

Getting the Best Deal

The best way to shop for a home insurance cover is to ascertain the kind and the amount of coverage you want and then see what different insurers have to offer (see *Hardly Expensive* for some indicative rates). This will help you do an apple-to-apple comparison of the prices quoted.

Opting for a long-term policy of, say 10 years, not only saves you the hassle of renewing the policy every year, but can also get you a discount on the premium, sometimes as much as 50 per cent. "Ideally, one can go for a long-term cover and avail of discounts. Do ensure that you get your sum insured increased if the valuation of your property, based on the construction rate, increases. Or else, it will become highly inappropriate to have a lower cover," says Dahiya. "Also, home insurance policies cease to be valid if the premises are left unoccupied for more than a specified time period (usually 30 to 60 days). One should choose a plan which offers maximum protection," he adds. ◆

Courtesy: *Money Today*

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LAST BUT NOT LEAST

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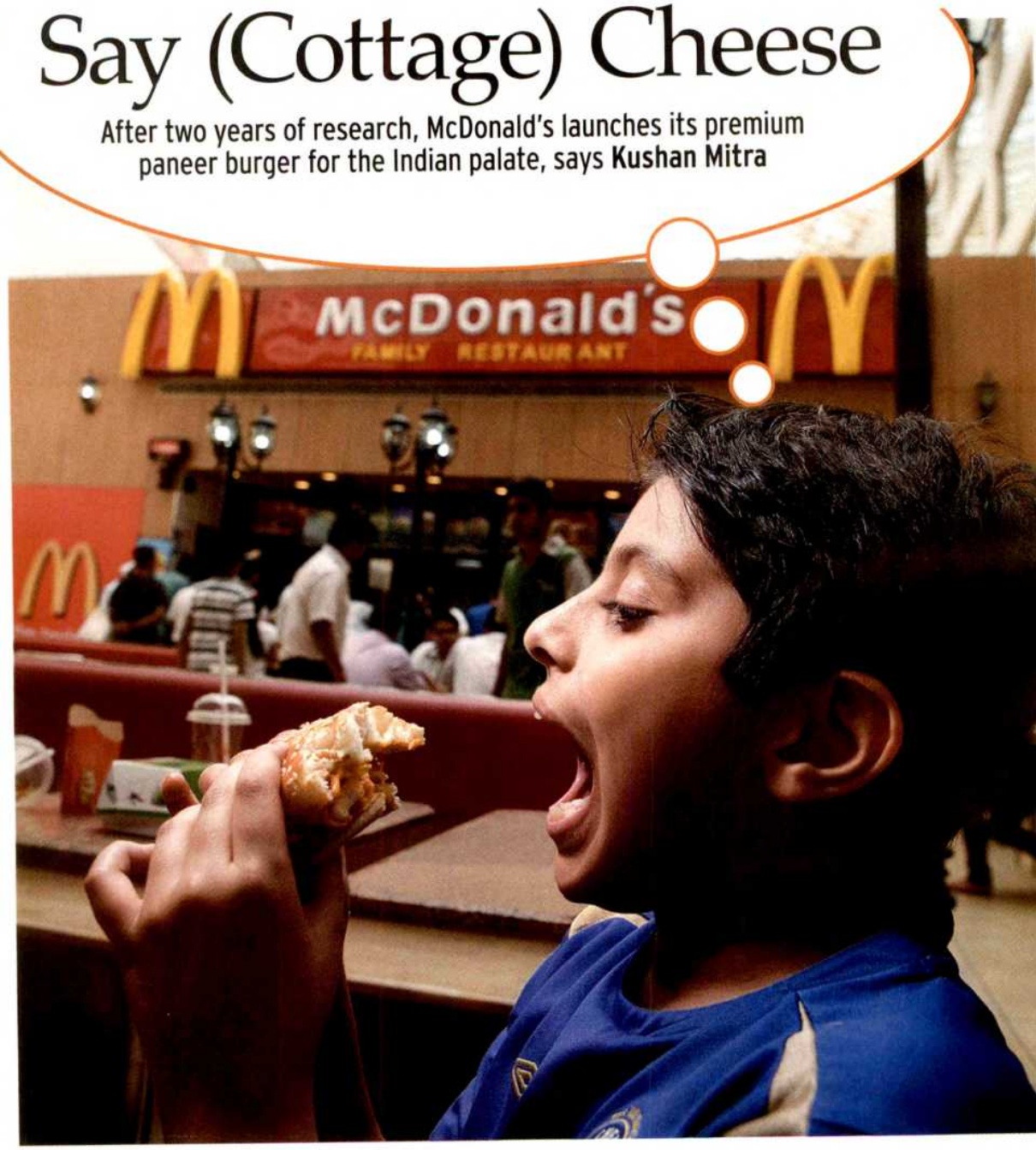
Say (Cottage) Cheese

After two years of research, McDonald's launches its premium paneer burger for the Indian palate, says **Kushan Mitra**



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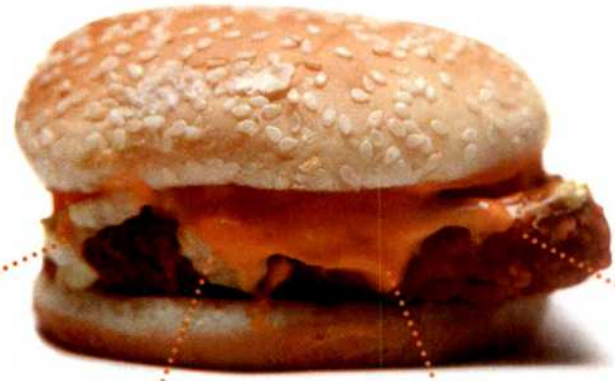


Consumer feedback showed they wanted a large slice of paneer filling. The McDonald's team figured a spicy, breaded paneer fillet gave the right 'bite' and taste

To work out the appropriate coating for the fillet, the team went to the Singapore regional HQ of Kerry Systems, the global coating systems supplier of McDonald's

The problem was to coat the paneer without compromising on its softness. A trip was made to the Netherlands-based CFS to get the right kind of equipment

The team zeroed in on Thane-based Good Day Foods to supply the 120-odd tonnes of paneer required every month and finalised the right kind of paneer

Every April McDonald's India executives hold an offsite meeting to chart the brand's future growth plans and consider modifications to its menu. At the 2009 meeting, the team felt that while McDonald's India had an excellent array of vegetarian products, there was no 'premium' – priced above ₹50 – offering on this platter. It decided there should be one. Abhijit Upadhye, menu management and supply chain head, was given the responsibility of creating it.

That was the starting point of a two-year-long saga that culminated in the launch of 'McSpicy Paneer' in end-March this year, which has proved so popular that most McDonald's Indian outlets keep running out of stock every day.

India is the fast food chain's global vegetarian hub. It is also the only country where McDonald's does not serve its iconic Big Mac, since the burger patty contains beef. Until recently it was also the only country where McDonald's served vegetarian burgers, though lately, the United Arab Emirates has been picking up McDonald's vegetarian products too, primarily to cater to the expatriate Indian population.

Upadhye, who earlier played a key role in adapting McDonald's French fries for the Indian market and launched the breakfast menu in India, began from scratch. Early on, he and his team decided – on the basis of focus group studies – that the premium burger would be paneer based. The problem? No one had ever made a paneer burger before.

McDonald's had introduced paneer in its menu earlier – it used to have McCurry Pan, which comprised crumbled paneer nuggets – but the paneer burger was a different ball game. Consumer feedback showed they wanted a large slice of paneer filling – and easy as it sounds, that presented a host of problems.

As Sudha Shankarnaryanan, General Manager, Product Development and Quality Assurance, points out, there is very little written material on paneer. "Even Indian cookbooks have barely a page on paneer processing," she says. In a company like McDonald's which is devoted to processes, it meant Shankarnaryanan would have to delineate and standardise the process herself. The first task she embarked upon, along with McDonald's India's largest food processor Vista, was to figure out a way to mass-produce a spicy paneer 'fillet', that would comprise the filling of the paneer burger.

"We ruled out crumbled filling inside the burger," says Upadhye. "Even after that, there were many options. We considered a product with two thin slices of paneer with a chutney in between. There was also the option of infusing spices into the paneer at the processing stage. But finally we figured that a spicy, breaded paneer fillet gave the right 'bite' and taste."

Shankarnaryanan and a team from Vista visited the Singapore regional headquarters of Kerry Systems, the global coating-systems supplier of McDonald's, to work out the coating for the paneer fillet. They carried the paneer with them. A coating was devised all right, but a new challenge arose. "Meats absorb flavours and any coating sticks to them very easily. Paneer is not so amenable," says Shankarnaryanan. How to coat the paneer without compromising its softness?

To get the right equipment, Shankarnaryanan along with representatives of Vista and Kerry visited the Netherlands-based CFS, a re-

nowned food processing equipment company, to acquire the exact equipment they needed. They found it.

At first, McDonald's could find no paneer supplier in India capable of delivering the 120-odd tonne required by the fast food chain every month. But Vista Managing Director Bhupinder Singh had a friend – Rajan Malik, Chairman of the Thane-based dairy-processor Good Day Foods, which had already established itself as one of the largest suppliers of curd to Mother Dairy in western India. Malik, a graduate from the National Dairy Research Institute at Karnal in Haryana, was flabbergasted by the sheer quanity of paneer Upadhye's team wanted.

"Paneer looks easy to make at home. But mass-producing it to exact standards is tough," says Malik. He and Shankarnaryanan tried several hundred formulations together for making paneer using different kinds of milk and creating different levels of moisture in the finished cheese. "We needed a paneer that was neither so soft that it crumbled easily during processing nor so firm that it became rubbery on frying. We had to walk a fine line," says Shankarnaryanan.

Malik decided to use buffalo milk from the Kolhapur belt, whose quality, he says, is among the best in the country. Quite a compliment from a Punjabi who studied in Haryana. Milk from northern India was rejected for several reasons, including major production problems during the summer months. "We needed assured supplies and quality," says Malik, highlighting the fact that he travels to the dairy villages once a month. The McDonald's name helped too, as the fast food giant is known to clear dues with vendors quickly.

"We work on a 10-day cycle, and everything is computerised. Farmers get paid for their milk two days after the cycle closes," says Malik. "Indian companies have a horrible reputation when it comes to paying their vendors. We did not want that." Mailk has devised another way of keeping his farmers on board. "We hold back 25 paise a litre from their income, and every Diwali double that sum and give it to them as bonus," he says.

Back to the preparation table. Now that the paneer was ready, the team switched its attention to the sauce. "The sauce is vital for paneer," Upadhye explains. He spent a few days with sauce technicians from Mrs Bector's, a food specialities firm at Phillaur in Punjab. At one such meeting, a technician recalled a particular tandoori sauce he had once made. One taste of it, and Upadhye knew he had found what he was looking for.

Early in March 2011, the McSpicy Paneer line fired up at Vista's processing unit at Taloja, Navi Mumbai. The first few days were crazy: several hundred paneer fillets were thrown away as trials were held to calibrate the machine. Rough edges were smoothened out and Upadhye was able to meet his announced launch date of March 28.

Upadhye is basking in the success as he heads to Hong Kong as Head of Menu Management, McDonald's Asia-Pacific. What surprises will he cook up there? ◆

DESI DELIGHT

Processed paneer being shaped into slices

Paneer slices being packed

The slices being prepared for making the fillet

PHOTOGRAPHS BY UMESH GOSWAMI

Microscopic Marvels

Intel's Ivy Bridge processors will mark a paradigm shift in computing

Over the past few years Intel has been progressively reducing the size of the transistors on its microchips. The i5 and i7 processors on your new computer are 32 nanometers wide. To put that in perspective, the width of a human hair is around 60,000 nanometers.

And now Intel is getting three-dimensional on this nano turf. The world's largest manufacturer of computer chips recently announced its decision to use three-dimensional silicon etching on its new Ivy Bridge family of processors to replace the traditional planar, or two-dimensional, microprocessors. This new chipset can dramatically change the way we use computers.

Without getting too heavily into geek territory, what is different about these new processors is that the silicon on the chip, which earlier used to be flat, will now be etched into the 'fins'. (The fins are just like those on an air-cooled motorcycle engine – only many, many thousand times smaller.).

This makes the new chips much more efficient in terms of power usage. Less power is consumed when the transistors are in use and less power is lost when they are not. And varying the number of fins will drive speed and performance.

Intel claims this new family of processors will consume half the power at the same switching speed but will be 37 per cent faster at the same voltage, particularly the lower voltages required for mobile computing devices. They will be 18 per cent faster on high-end consumer machines and servers.

What does this mean? Well, it shows Intel continues to follow Moore's law – after Gordon Moore, one of Intel's founders, who famously stated way back in 1965 that the number of transistors on a processor would double every two years. But the increasing number of transistors have made computers faster, while the per-unit cost of processing power has gone down dramatically.

SANTOSH

The new 3D microprocessor will allow the processors on handheld and portable devices to become even faster. A smartphone today has the processing power of a standard desktop computer of half a decade back. The new Samsung Galaxy S2 and the upcoming iPhone 4S have dual-core processors.

Whether this new technology will help Intel make a mark in the portable devices space remains to be seen, but the technology major is expected to introduce an Atom-class low-cost processor using this technology in 2012. What it means is that technology will become even faster and more pervasive than it is today.

Vinod Dham was the brain behind the Pentium processor. Again, the person behind Intel's drive to make processors ever smaller is another Indian. Kaizad Mistry is an alumnus of the 1984 batch of the Indian Institute of Technology, Bombay.

And what about the technology that allows Intel to make the silicon cuts on microprocessers smaller and smaller? There is an Indian behind that as well: Kanti Jain, an alumnus of IIT-Kharagpur, who developed a technology in 1982 that allowed lasers to make smaller and smaller etches on silicon wafers. ◆

Change at the Global Factory

The book shows Chinese companies too are innovating fast, says Shamni Pande

CHINNOVATION How Chinese Innovators are Changing the World
By Yinglan Tan
Publisher: John Wiley & Sons (Asia)
Pages: 290
Price: ₹1,402

Innovations in China? Really? To those who know it as the global factory with entrepreneurs skilled at making low-cost copycat products, the combination may sound like an oxymoron. But it would be wise to put presumptions aside while considering a country that is clocking almost 10 per cent GDP growth and that whizzed past Japan last year to establish itself as the world's second largest economy.

Today, multinational business heads are heard worrying if they can ever really capture the Chinese market, the way they have managed to push frontiers in other regions. Local players, seasoned under the tough conditions of the past and the country's state-directed capitalism, are really the ones who rule. Transnational Chinese firms such as Lenovo, Huawei and Alibaba, among others, are assiduously building global clout, while local players control the domestic terrain. Coca-Cola ran into rough weather in its attempt to acquire Chinese juice player Huiyuan, though it was willing to cough up as much as $2.3 billion. So, what is it that the Chinese do, that continues to fox outsiders?

Two advantages local companies have – especially media and technology companies – are state enforced curbs on the entry of foreign firms in these sectors – as well as their own familiarity with the Chinese language. This is a country where Facebook has only around 300 million active users, while QQ, mainland China's most popular free instant messaging computer programme, has over 500 million. Facebook has only recently become profitable, while QQ has over $1 billion in profit.

The signs of innovation are everywhere. Chinese companies have been aggressively filing patents. An official document of the State Intellectual Property Office of China, released last year, called *National Patent Development Strategy (2011-20)*, reveals impressive patent filing targets: as many as two million patents by 2015. There are fears that it will soon be filing more patents than the United States.

Given the context, it is clear that Yinglan Tan has been sharp in timing the release of his book, *Chinnovation – How Chinese Innovators are Changing the World*. He has impressive credentials: a Kauffman Fellow, he serves on the boards of several innovative growth ventures in Asia. He was the first director of 3i Venturelab China, a joint venture between private equity firm 3i and INSEAD. He has studied the enterprise space in China in detail, and spliced through various models of Chinese business successes.

But innovation means different things to different people. It could simply be getting first-to-the-market, it could be process-related, it could involve re-engineering or branding. The author has considered both players who have 'done the same thing in a new way (process)' and those who have 'done new things by creating a product or service'. He has also accounted for the success of the large-scale 'ripping' (or copycat) models.

The book also provides interesting business facets relating to China, which, says Tan, can even assist companies in their recruitment efforts in that country. Last word: if you are seeking information about radical shake-ups in China from this book, you will be disappointed. But for those who want to know anything and everything about China, this book is useful. ◆

The author has stuck to players who have 'done the same thing in a new way (process)' and 'done new things by creating a product or service'

BOOKMARKS

Sticky Marketing
By Grant Leboff
Kogan Page
Pages: 217
Price: ₹325

Marketing is not what it used to be. It is no longer a means to an end, but an end in itself. Gone are the days of shouting messages at people. Today, it is all about attracting customers.

The Personal MBA
By Josh Kaufman
Penguin
Pages: 402
Price: ₹550

Want to learn the basics of business and transform your career? This book, which distills the most valuable lessons of the best B-schools and business books, is a very good starting point.

Ballantine's

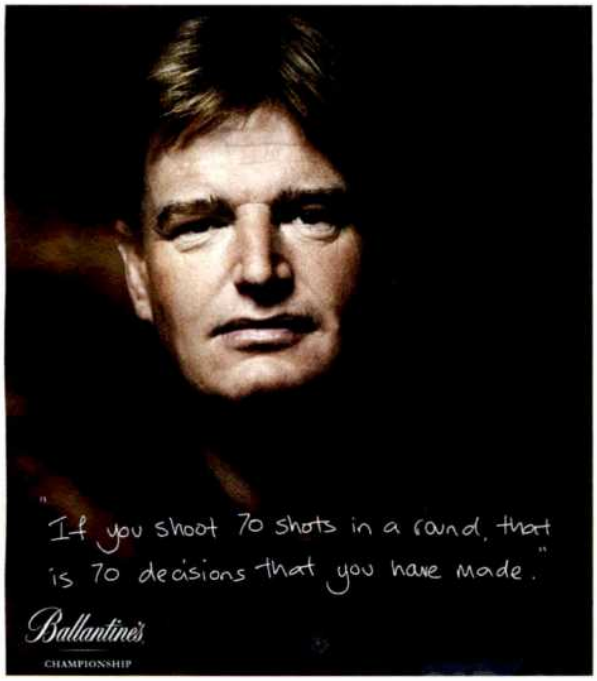
LEAVE AN IMPRESSION

Great Minds Leave Great Impressions

Legendary seven-time major winner Bobby Jones said: "Golf is a game that is played on a five-inch course - the distance between your ears"

As a part of the Ballantine's Championship 2011, Ballantine's, the number one ultra-premium whisky in Asia Pacific, sought out the finest players including Ernie Els, Lee Westwood, Ian Poulter and YE Yang to explore the crucial role that decision making and mental strength play in success in sport, and golf in particular.

More often than not, those who want to stand above the crowd need to make the right decisions at the right time, assess the information available and draw on their own "gut instinct". The discerning individual who can do this well leaves an impression.



Words that leave an impression from Ernie Els

Ernie Els, a regular participant at the Ballantine's Championship and a three-time major winner says "decision making is probably the most important part of the game. It is every bit as important as hitting a thousand golf balls a day. You can be as good a ball striker as you can be, but if you can't make the right decisions out on the golf course then you're not going to have a good round."

World No. 1 Lee Westwood shot a 5 under par 67 to win the Ballantine's Championship 2011

The current world number one, Lee Westwood backs up Els' view; "...the mental side of the game can help you achieve success in wider life. In many ways I think golf reflects life. Golf seems to teach you the right way to behave, the etiquette of the game."

Three-time European Tour Winner and Ballantine's brand ambassador, Jeev Milkha Singh adds "The main thing is your mind. If you believe your game's coming around and you develop some trust, that's where the difference comes."

According to all these golf legends, decision making is something you get better at if you approach it in a systematic manner. Also, it is not just the right decision that matters, but recognizing when the moment has come to make the really big decision. It is the art of seeing the opportunity and the right time and grasping it. Finally, it is about executing that decision with skill and flair.

These are the values that Ballantine's, with its long established reputation for quality and creativity, celebrates. Ballantine's believes in knowing who you are and what you want and by being true to yourself, living with a sense of originality, charisma and style. A personality that leaves an impression.

Tackling Joint Concerns

Though perceived as an ailment of the aged, arthritis often afflicts people as young as 40, says Rahul Sachitanand

The 45-year-old woman hobbled her way to Laud Clinic in Dadar, north central Mumbai, the pain in her knees making the walk a Herculean task. For a long time, the woman, a banker by profession, had dismissed the festering pain in her joints as the result of daily wear and tear. It was only when she was practically rendered immobile that she made an appointment with Laud, which focuses on joint replacement therapy and surgeries. It took only a short consultation with one of the founders of the clinic, Dr Harish S. Bhende, for the problem to be diagnosed. She had rheumatoid arthritis, the result of long hours at office, a poor diet and inadequate exercise.

Arthritis is not only an ailment of the aged. Dr Bhende says half his patients are in the age group of 40 to 50, and most are women. While osteo arthritis is age-related indeed, the rise of other kinds of arthritis such as rheumatoid is ringing alarm bells. "We have people who can barely walk 50 metres. Some have even given up jobs because they cannot bear the pain of travelling back and forth," says Dr Bhende.

What makes it worse, say other doctors, is that people tend to dismiss typical symptoms of rheumatoid arthritis as signs of fatigue or a one-off stress injury. "We can treat early rheumatoid arthritis with medication, but if it progresses too far we need to operate," warns Dr Bhende.

With increasing responsibilities at the workplace and at home, people have less time to devote to the kind of food they eat and to exercise sufficiently, which is responsible for the growing incidence of arthritis at a young age. The increasing obesity of India's working population will only further increase the incidence of arthritis, adds Dr Bhende.

PAINFUL EXPERIENCE

1. Incidence of arthritis is rising among 40-50 year olds
2. Poor diet and lack of exercise are largely responsible
3. More women are affected than men
4. Persistent joint pains should never be ignored
5. Monitoring needs to start from childhood
6. Recent medical advances offer more treatment options

While there are two or three common forms of arthritis, doctors say they actually have to deal with a 100 different variants, and the working population across the world is affected. In the United States, for example, arthritis is now second only to heart disease as a cause of work-related disability. It is also the leading cause of disability for people over 35. These trends are expected to be mirrored in India, which is already the diabetes capital of the world and also has a rapidly rising number of cardiac patients.

Doctors feel more attention needs to be paid to arthritis. Monitoring should start from childhood and obese children should be put on a diet to bring their weight under control. "Ninety per cent of the time arthritis can be fixed with exercise, medication and a better lifestyle," says Dr Bhende. "It is only when it gets worse that we need to consider surgery."

The good news is that medical advances also allow partial replacement of joints, cartilage replacement and has also formulated aggressive medicines which can rapidly control swelling of joints, and worsening of the ailment. But, nothing like a little care and a healthier lifestyle that will ensure arthritis will not cripple your lifestyle. ◆

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Social Media Turns Job Portal

Firms are logging in to social networking sites to pick up the right candidates, says Manu Kaushik

Anirban Basak is a senior executive with a Pune-based IT company, with about 15 years experience in the outsourcing business. How did he get his current job? By being a member of the social networking group for professionals, LinkedIn. Last year, his current employer, intending to set up new business units, focused on shared services and healthcare business process outsourcing, approached a headhunters firm to find suitable candidates for the positions that would arise. The firm searched LinkedIn and zeroed in on, among others, Basak, who was then heading the healthcare division of another IT giant.

Basak was contacted through email and after due discussions and negotiations, was offered the position of delivery head (healthcare and shared services).

"I have been active on LinkedIn for the past four years, networking with industry professionals and business associates. I have received several key offers from different companies and search firms," says Basak.

Whether it is an employer searching for potential recruits or an employee exploring career change, social networking sites such as LinkedIn, Facebook and Twitter are fast emerging as effective recruitment platforms.

A Ma Foi Randstad Workmonitor study reveals 90 per cent of Indian employees have individual accounts on social media sites, out of which 81 per cent use them for professional purposes. While these purposes vary from getting information about an organisation's work culture to tracking movements of executives and events of companies, the focus largely remains on jobs.

Curiously this is not a widespread global phenomenon; only 29 per cent of the global workforce use the social media to look for jobs, the survey says. In India the trend is common across all levels, though employees in the 35 to 44 age-group and income bracket of ₹2 to 10 lakh per month follow it the most.

HR experts, however, maintain that middle- and senior-level executives are the biggest beneficiaries of such platforms, because at that level there is always a talent shortage. "Unlike employees at the junior levels, middle- or top-level people do usually use job portals. To identify the right candidate, search firms and companies are heavily dependent on networking portals," says Vibhav Dhawan, Managing Partner, Positive Moves Consulting India, an executive search firm. The use of social media for professional purposes has doubled in the past year, he says. "More people are using these sites every day and this, in turn, becomes a large and sorted data source."

Kris Lakshmikanth, founder of Headhunters India, believes using social media does not yield instant results. "Just because somebody has put up his profile on LinkedIn does not mean he is actively looking to switch jobs. There are plenty of passive job seekers as well," he says. "Our job is to approach them in a professional manner and build long-term relationships."

So go ahead and create your profile on LinkedIn or Twitter, even if you are not an active social media person or not looking for any immediate job change. ◆

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Demand Capacity Manager
Location: Bangalore
Job ID: 9727676
Description: Role: Vendor Management Globalization of IT Demand Management IT Governance Principles Technology (hardware, Software, Methodology) .

Oracle Financial Services Software Ltd
Oracle Financial Functional Consultant
Location: Bangalore, Mumbai
Job ID: 9623841
Description: 5 years of Experience in Oracl Applications (Finance). Experience in E2I implementations of General Ledger and mi of 3 other Financial Module (AP/AR/FA/CM/Projects) in Oracl Business Suite.

Blaser Swisslube India Pvt Ltd
Application Engineer/Sr. Application Engineer
Location: Delhi, Pune
Job ID: 9717453
Description: Looking for a B E (Mechanical / Production / Industrial Engineering) with 2-5 years of experience in Cutting Tools, Machine Tools, and Grinding Wheels.

Objectwin Technology Inc
Technical Recruiter
Location: South India
Job ID: 9675595
Description: We are looking for a technical savvy, seasoned Recruiting Professional. In th role, the US VMS Recruiter will work to f positions with new clients.

Amdocs Development Centre India Private Limited
Senior Recruitment Specialist
Location: Pune
Job ID: 9666796
Description: Ability (and proven experience) to work in a global and cross-cultural perspective on relocation issues. Strong teamwork, collaboration and influencing skills at all levels and cross functionally.

Murugappa Group
Area Sales Manager - CDSL
Location: Pune
Job ID: 9533407
Description: To lead the team of Tea Leaders & Sales Executives and ensure tl Execution of Sales activities and delivery Business targets agreed Work Closely with t VF team to Penetrate into their Customer ba for MI renewal and Cross sell.

India Glycols Ltd
Sr.Manager-Purchase
Location: Noida
Job ID: 9707875
Description: Role: Spares purchasing of Machines and Equipments, Utility Item, Fabrication and Welding Equipments, Material Handling equipments and Assembly Line equipment.

Lanco Group
HR Manager
Location: Raipur
Job ID: 8725809
Description: Applicants should have ver good exposure to handling complete gree field project HR, IR & Administration of ar Power /Construction/ any Manufacturi Company having more than 500 manpow Exposures to handle large no's of contracto at site.

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Storage Designer / Consultant
Location: Mumbai, Pune
Job ID: 9690623
Description: Person should be responsible for the design and deployment / implementation of EMC/Isilon make storage solutions.

Tech Mahindra
Application Security Consultant
Location: Bangalore
Job ID: 9671770
Description: Role: To manage consultants within the technical team and the performance of the team in delivering TMI. business objectives and ensuring consistent high levels of client satisfaction.

Global Edge Software Ltd
Sr. Software Engineer
Location: Bangalore
Job ID: 9683620
Description: Responsibility: Should be proficient in 802.11a/b/g/n concepts, Security, WMM and WPS. Should be able to fix the bugs in Windows 7 and Vista WLAN Driver (NDIS Driver).

Virtusa Software Services Pvt Ltd
Software Engineer/ Programmer
Location: Hyderabad
Job ID: 9661505
Description: Incumbent must have extensive experience with entire life-cycle development of web platform using Vignette and other CMS.

Orion Systems Integrators Inc
Senior Software Engineer
Location: Cochin
Job ID: 9548330
Description: Extensive exp with Microsoft technologies including WPF, VB.NET, Silverlight, C#, ASP.NET, XML, XSL, scripting languages including VBScript/JavaScript and HTML. Exp working with SQL Server 2000.

Yash Technologies Pvt Ltd
Solution Architect- SAP Services
Location: Hyderabad
Job ID: 9742476
Description: The selected professional will work with YASH sales team to support sales cycles by understanding customer's business objectives and promote the value of YASH SAP Services to meet their requirements.

Cybage Software Pvt. Ltd.
Software Engineer/ Programmer
Location: Ahmedabad, Gandhinagar
Job ID: 9206601
Description: Role: Mentoring and Assisting Project Managers and Team members for implementing CMMI processes in the project.

ValueLabs
Sharepoint Administrator
Location: Hyderabad
Job ID: 9748233
Description: Candidate must have knowledge on sharepoint Features. Good at Building, installing SharePoint 2010 server Farm medium to large server farms.

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Senior Marketing Manager – Aerospace
Location: Hyderabad
Job ID: 9562107
Description: Senior Marketing Manager – Aerospace - 8 to 12 years work-ex in the Outsourcing Industry preferred.

Capgemini
Market and Business Information Co ordinator
Location: Bangalore
Job ID: 9508342
Description: To be responsible for th distribution and deployment of all limited M3 licenses (currently Gartner, Forrester a Factiva) across the business.

Cognizant Technology Solutions India Private Limited
Sr. Business Analyst
Location: Pune
Job ID: 9722352
Description: Key Responsibilities: On-site Sales / BD Development. Pre-sales and post-sales support, Marketing etc.

Make My Trip (India) Pvt Ltd
Relationship Manager
Location: Kolkata
Job ID: 9735861
Description: The incumbent will responsible for outbound MICE sales; v need to develop new corporate clients a sustain existing clients through good relation

Vmware Software India Private Ltd
Systems Integrators Manager
Location: Mumbai
Job ID: 9736630
Description: Responsible for selling and marketing to the large/strategically important SI's in India in order to develop strategic relationships and dramatically increase the revenue driven through each Reseller/SI.

Bayer CropScience Limited
Sr. Executive / Manager - Technical Sales
Location: Bangalore
Job ID: 9737720
Description: Key Responsibilities: Ensu that sales (volume and revenue) and c budgets are achieved, stock levels a appropriated and forecast data communicated and reviewed regularly a timely.

Optimos (India) Private Limited
Business Development Manager
Location: Pune
Job ID: 9018726
Description: Function: Compile lists of prospective customers for use as sales leads, based on information from inquiries, trade shows, direct mail responses, aged leads, business directories, and other sources.

Infineon Technologies India Pvt.Ltd
Business Development Manager
Location: Bangalore
Job ID: 9482628
Description: Task: Evaluate new busin models & opportunities for Industrial Pow Develop and manage key customer accounts industrial power segment; Build and maint key customer relationship.

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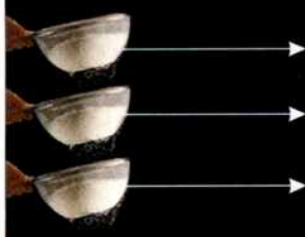

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Assistant Manager Accounts,
Location: Mumbai
Job ID: 9228021
Description: Person must have Experience in maintaining accounts, MIS shipping/ steel, Ship demurrage etc.

ITC Limited
Finance Superintendent
Location: Guntur, Mysore
Job ID: 9652735
Description: Duties: Processing payments; Maintenance of Inventory Accounts; Monitoring of Handling operations; Reconciliation of inventories; Preparation and submission of Statutory returns.

Financial Software & Systems Private Limited
Manager – Revenue Assurance
Location: Chennai
Job ID: 9410484
Description: Responsibility: understand the various products and services of the Company including a granular understanding of the revenue drivers for each of the offering.

GlobeOp Financial Services
Associate Manager - Operations
Location: Mumbai
Job ID: 9628076
Description: Responsible to lead the team and efficient functioning of the entire team; Responsible to establish and streamline new process and new clients; Allocation of work within the team.

Acculogix Software Solutions Private Limited
Accountant
Location: Bangalore
Job ID: 9478484
Description: Graduate in Commerce, BBM; Excellent communication skills; Good Excel and MS Office skills; Ability to work with numbers and good understanding of accounting concepts.

Suzlon Energy Ltd
AGM - Taxation
Location: Pune
Job ID: 9664201
Description: Role: lead team for the Value added tax including works contract tax and Central Sales Tax at India level for timely and accurate Compliances such as return filing, payment of tax.

Nous Infosystems
Assistant Mgr - BUSINESS FINANCE
Location: Bangalore
Job ID: 9583957
Description: Responsible for managing the profitability, involves working with the delivery, Sales & Domain teams to driving growth & profitability.

Deloitte
Benefits - Associate Analyst
Location: Hyderabad
Job ID: 9657475
Description: This position will be focus on assisting the Total Rewards Benefits Group in the administration and processing of all Deloitte's U.S/India.

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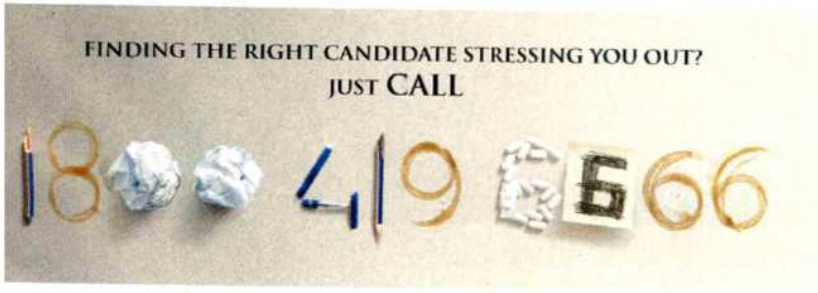

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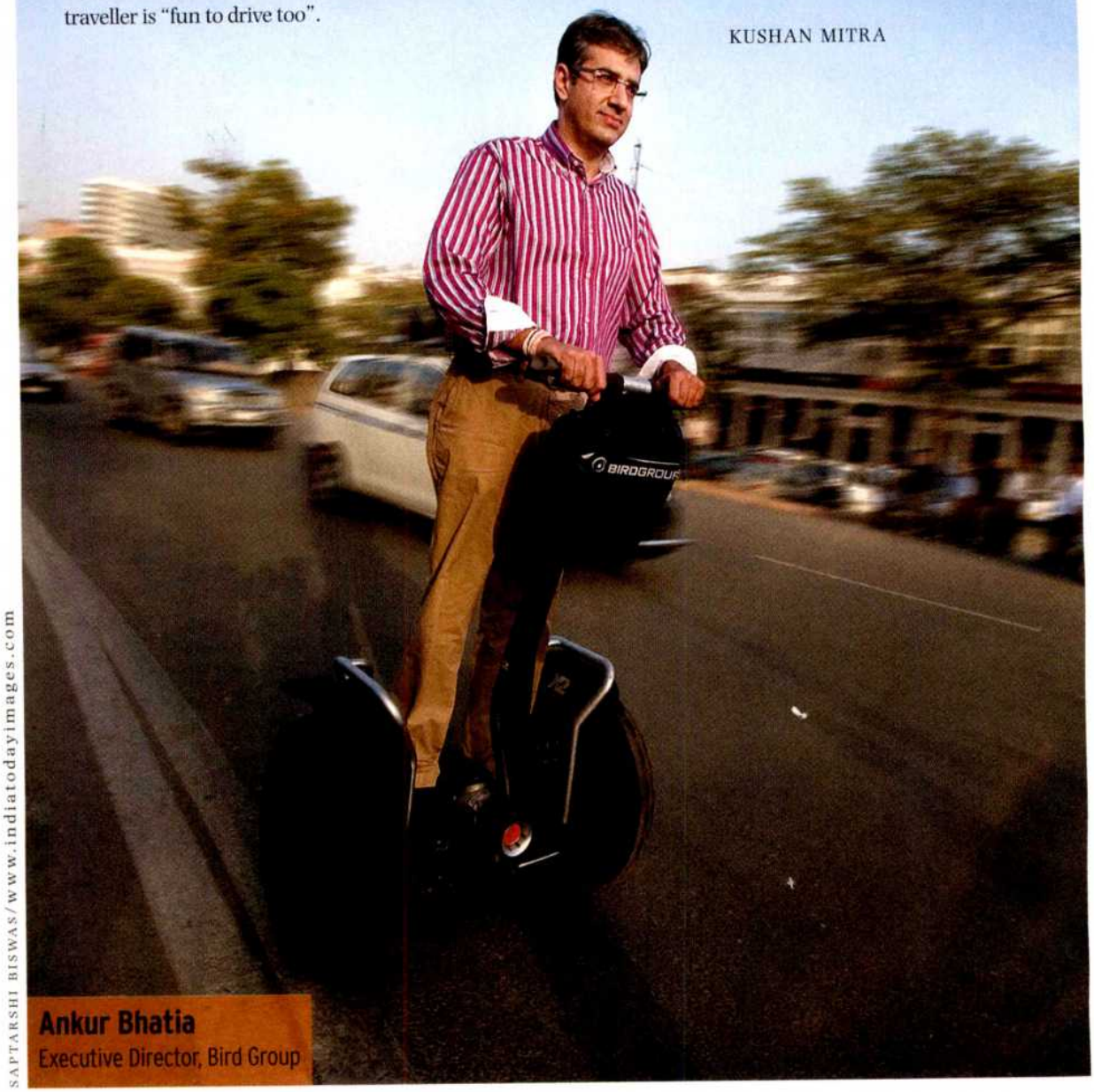
The Solo Traveller

ANKUR BHATIA, Executive Director of Bird Group, a Delhi-based travel technology and services company, has his hands full steering the Segway Personal Transporter, which his group launched in March in collaboration with Segway Inc., global leaders in self-balancing personal transportation vehicles. "The product is not cheap – around ₹4 lakh each," says Bhatia. "That's because of heavy excise duty." Despite the price, he and his sales team have been able to convince quite a few people in India to buy the product. But Bhatia is keen to increase sales further. "Across the world, 1,500 policemen use Segways. Quite a few large retail and commercial establishments use it too to improve their security," he says. The Delhi Airport authorities have already deployed a few of his vehicles at the cavernous Terminal 3, and Bhatia expects more institutional sales soon. After all, the solo traveller is "fun to drive too".

KUSHAN MITRA



Ankur Bhatia
Executive Director, Bird Group

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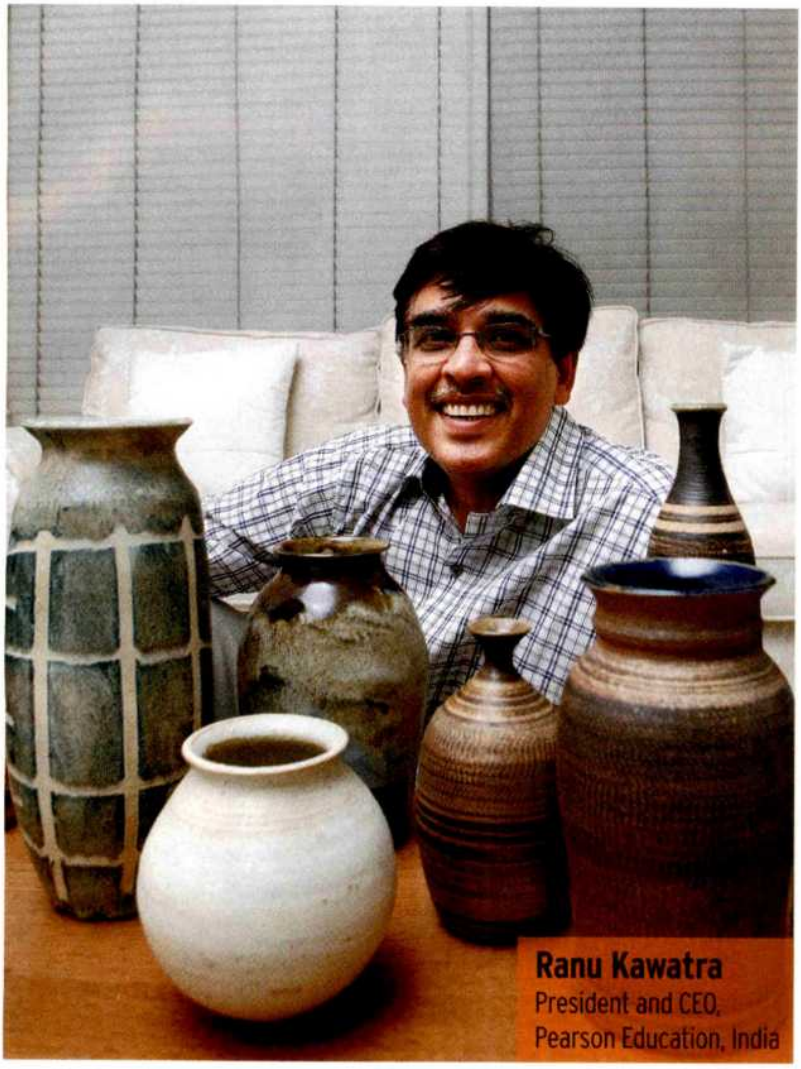


MONEY SHARMA/www.indiatodayimages.com

Ranu Kawatra
President and CEO,
Pearson Education, India

Lessons from Pottery

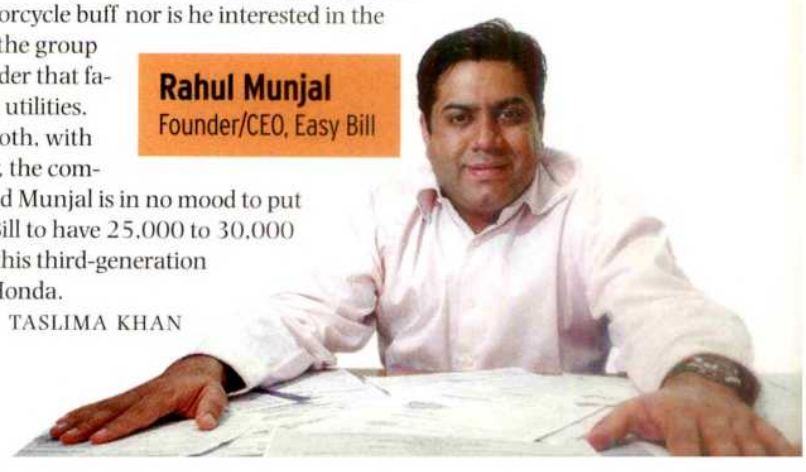
He is an avid potter and enjoys "shaping and creating new things". When not at his potter's wheel, **RANU KAWATRA**, the new President and CEO of Pearson Education, India, tries to put the soft skills of this art form into his work. "Pottery teaches focus, patience and clarity of goals, crucial in any field but, perhaps, more so in the business of education," says Kawatra, who moved away from a sparkling corporate career that started with Cadbury, followed by Gillette (now part of Procter & Gamble) due to his interest in education. He was part of the team which created XSEED, a showcase curriculum product under iDiscoveri, an entrepreneurial entity focused on education. Today, heading one of the biggest educational publishing companies, his hands are full. Professionally, he hopes to see Pearson Education, India, emerge as a major centre of excellence in the next three years. At the personal level, the aim is simple: to become a more refined, better potter.

E. KUMAR SHARMA

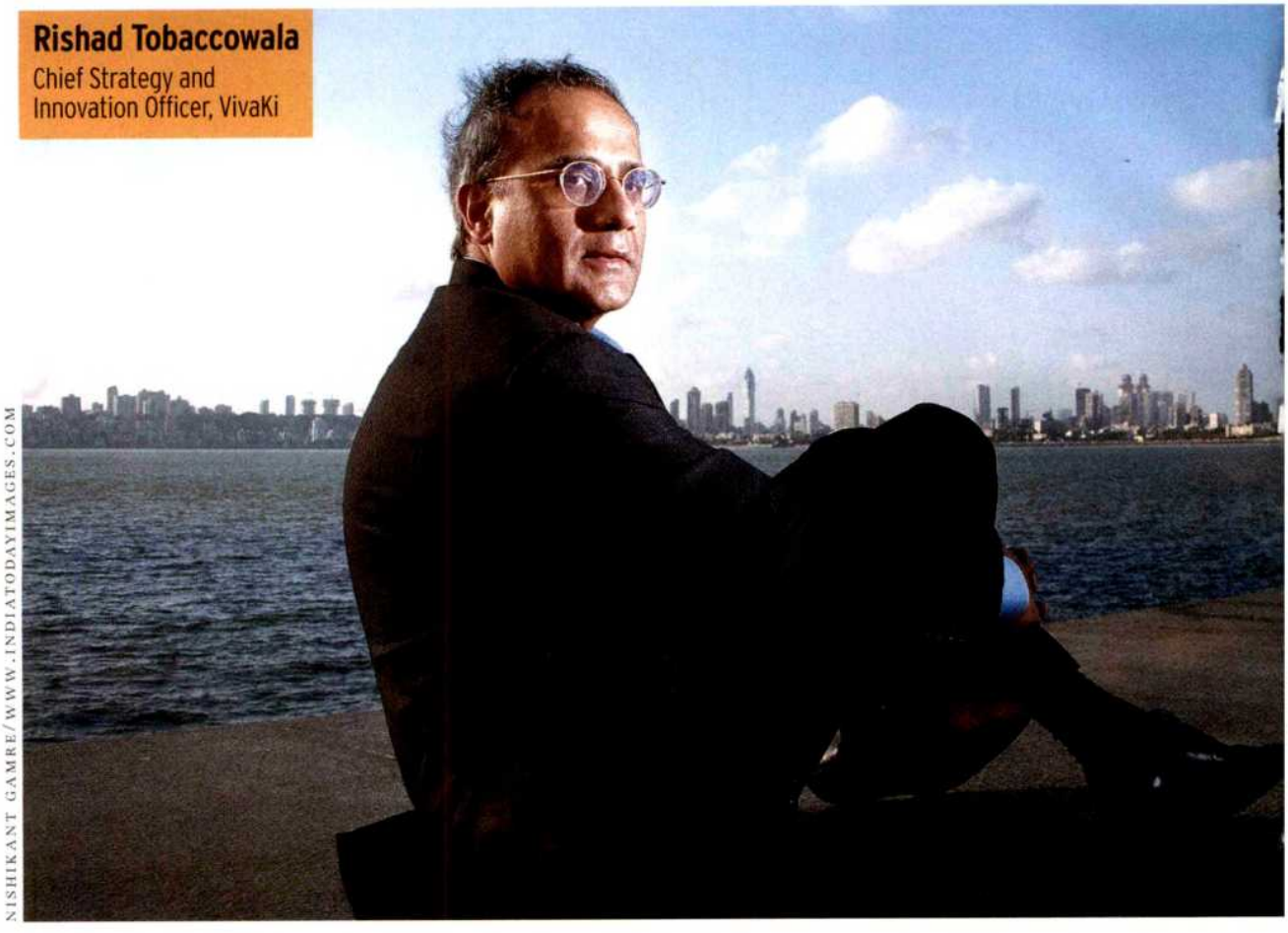
Turning Bills into Cash

The surname is instantly recognisable. His grandfather Brijmohan Lall Munjal founded the Hero Group and his father Raman Kant Munjal led the company in its formative years before his untimely death. But **RAHUL MUNJAL** is not a motorcycle buff nor is he interested in the family business. Instead, this young scion has taken the group into the services sector with Easy Bill, a service provider that facilitates payment of bills for a host of companies and utilities. The junior Munjal has turned Easy Bill into a behemoth, with 10,000 collection centres across 100 cities. Recently, the company also moved into air, rail and event ticketing. And Munjal is in no mood to put the brakes on. "In the next three years, I want Easy Bill to have 25,000 to 30,000 outlets." The senior Munjals may have to look up to this third-generation entrepreneur as they prepare to accelerate without Honda.

TASLIMA KHAN



Rahul Munjal
Founder/CEO, Easy Bill



Rishad Tobaccowala
Chief Strategy and Innovation Officer, VivaKi

NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

Web Master

In 1993, even before the Internet had taken off, **RISHAD TOBACCOWALA**, 51, set up the first interactive marketing agency – within the Publicis Group, the French advertising and communications multinational, with which he works. Since then, his career has been built around the development of online media. Based in Chicago, one of his missions within Publicis is to travel the world, spreading new ideas. With an average of 140 flight legs a year for the last five years, Tobaccowala is clearly doing a thorough job. Recently in Mumbai on one of his quarterly visits to VivaKi, the digital and media agency built to help marketers develop scalable and innovative digital solutions, Tobaccowala said: "The Internet is spreading all over the world as an advertising medium and it will be the same story for India. I notice that within Indian companies, digital has now become an important point of discussion among senior management, which was not the case two or three years ago." He had a word of praise for VivaKi too: "It has the largest digital group in India with 175 people and is very critical to Publicis's future growth."

ANUSHA SUBRAMANIAN

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Ashwin Deo
Founder, Turning Point

New Vino, New Bottle

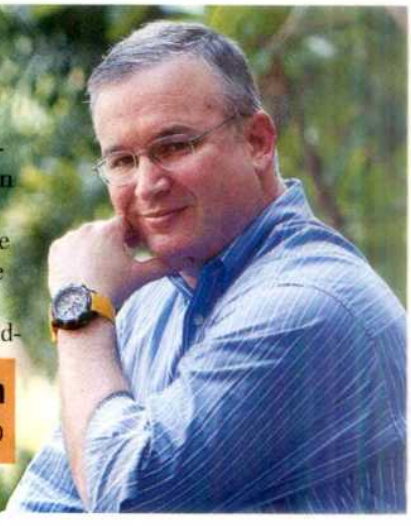
Becoming an entrepreneur at 46 would be a turning point in the life of most people. But for **ASHWIN DEO**, the former Managing Director of Moët Hennessy, it merely completes a full circle. After shifting gears from champagnes to beer, Deo is all set to launch his own wine label, Turning Point. How does it feel to be an entrepreneur? "Liberating," he says. Deo's experience spans spirits of all kinds, from beer to champagne, cognacs and wines. But why call his brand Turning Point? "The idea is to expand the market and get the new, non-traditional consumers to drink wine. I see a big potential in younger consumers," says Deo. With a unique packaging plan to market his products – easy to handle bottles which can be later used as lamps, chandeliers and candle stands – to an affordable range of wines, ₹675 for 750 ml and ₹375 for 375 ml – Deo say he is here to win. "It's about crushing the tradition and not the grapes," he says.

ANUSHA SUBRAMANIAN

Keeping Time

For **ADAM GURIAN**, a graduation gift from his wife is an exception in his collection of *horlogerie* – the only non-Timex he owns. "I have not worn that watch in 16 years," says the CEO of the Timex Group, laughing. Watches have undergone a remarkable change from being instruments to merely tell the time into fashion accessories. Gurian is working round the clock to further enhance the Timex brand by tying up with lifestyle majors like Versace and Ferragamo. Timex watches in the $40 to $100 range are still the most popular, he says, adding that he is keen on a bigger share of India's growing market. His favourite pastime: flying (he is close to getting a licence). For sure, Gurian is having the time of his life. ◆

SUNNY SEN



Adam Gurian
CEO, Timex Group

SAPTARSHI BISWAS

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NIRMAL JAIN
Chairman, India Infoline

My leadership style
- [x] Delegative
- [ ] Participative
- [ ] Authoritative
- [ ] All of the above

The political leader I admire the most
Nitish Kumar

The business leader I admire the most
Steve Jobs

The leadership lesson I remember the best
When you win, everybody in your team should feel they also won

A book I would recommend on leadership
Good to Great by Jim Collins

The difference between a manager and a leader
A manager does things right, a leader does the right things

All good managers are good leaders
Not always

As told to Anand Adhikari

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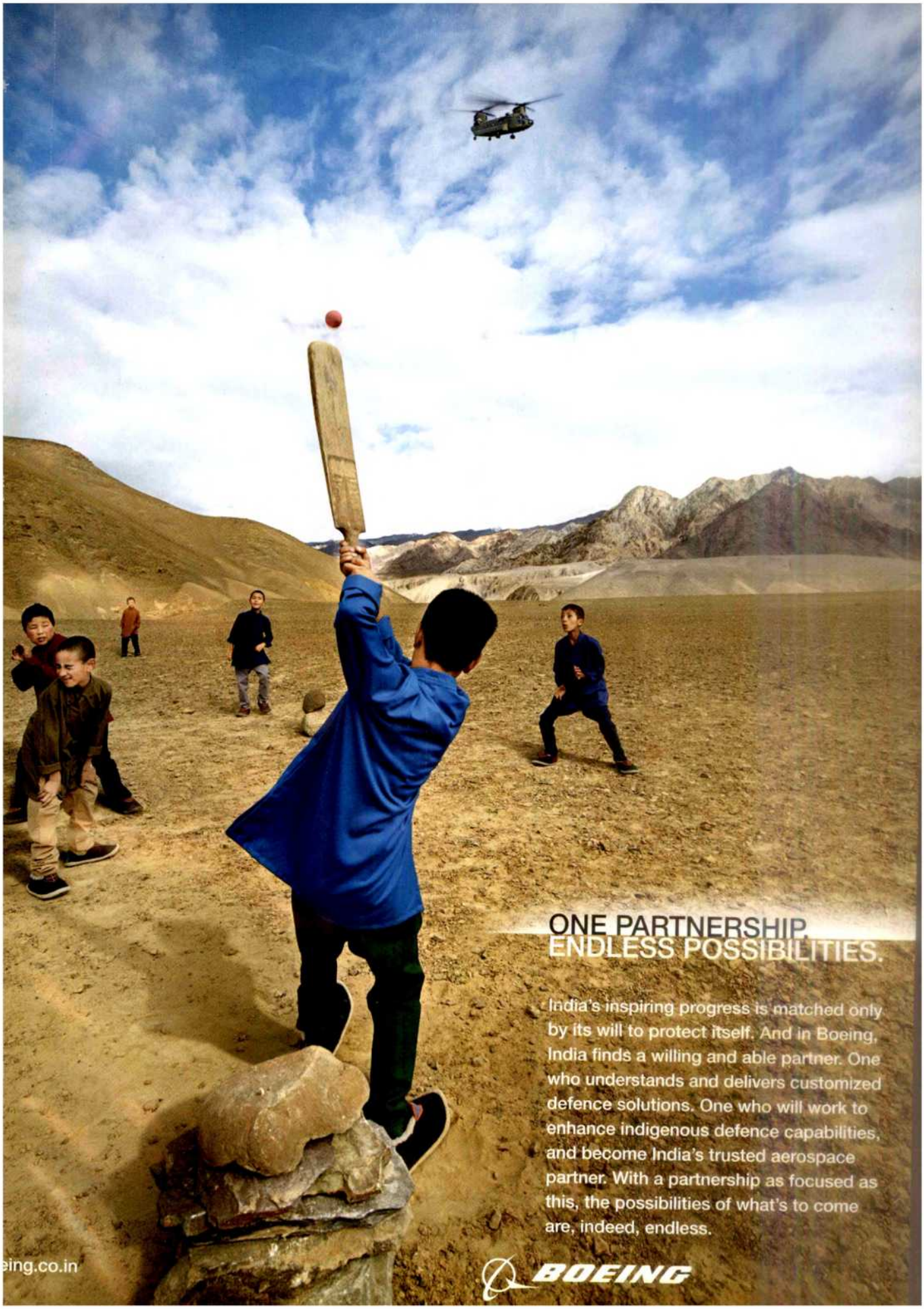
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